

EXHIBIT 1

EXHIBIT 1

Deposition of John Carstarphen, Friday, April 23, 2010

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA-RENO
-000-

JOHN CARSTARPHEN,
Plaintiff,
vs. Case No.: 3:07-cv-00542-ECR-RAM
RICHARD MILSNER, an
Individual, DOES 1
through 10,
Defendants.

DEPOSITION OF JOHN CARSTARPHEN
taken on behalf of the defendant at the offices of
Richard G. Hill, 652 Forest Street, Reno, Nevada, Friday,
April 23, 2010, at 10:02 a.m., before Debra J. Bartois,
Court Reporter and Notary Public, pursuant to notice.

Reported by: DEBRA J. BARTOIS, CCR #56

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EXHIBITS MARKED FOR IDENTIFICATION:
EXHIBITS NOT COPIED. ON ORIGINAL ONLY

56	A yellow sheet from a note pad containing handwriting.....	3
57	A handwritten note dated 4/23/10.....	3
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APPEARANCES:

For the Plaintiff: KING & RUSSO, LTD.
Attorneys at Law
by SCOTT RUSSO, ESQ.
1021 Country Lane
Gardnerville, Nevada 89460

For the Defendant: RICHARD G. HILL, ESQ.
Attorney at Law
652 Forest Street
Reno, Nevada 89509

For American Medflight,
Inc.: PAUL F. HAMILTON, ESQ.
Attorney at Law
577 California Avenue
Reno, Nevada 89501

Also Present: JIM BROWN

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EXHIBITS MARKED FOR IDENTIFICATION: (cont'd) PAGE:

59	A copy of an e-mail dated Friday, September 01, 2006.....	5
60	A copy of a multi-page document, entitled First Amended Complaint For Breach Of Fiduciary Duties And Self Dealing.....	65
61	A copy of a two-page letter dated February 12, 2007 from Jack Dawson to John Carstarphen.....	120
62	A copy of a multi-page document entitled Aircraft Lease, ANF-58303 through ANF-58308.....	142
63	A copy of a multi-page document entitled Aircraft Lease, ANF-58309 through ANF-58314.....	142
64	A copy of a multi-page document entitled American Medflight, Inc. Employee Stock Ownership Plan.....	210
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Deposition of John Carstarphen, Friday, April 23, 2010

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RENO, NEVADA

FRIDAY, APRIL 23, 2010

10:02 A.M.

-000-

JOHN CARSTARPHEN

having been first duly sworn,

testified as follows:

MR. HILL: The record should reflect that this is the date, time, and place set for the taking of the deposition of the plaintiff John Carstarphen in this matter.

Mr. Carstarphen is present, accompanied by his counsel Mr. Russo. I represent the defendant Mr. Milsner.

We're at my office at 652 Forest Street.

Joining us today is Mr. Brown, who is a director of American Med Flight.

EXAMINATION

BY MR. HILL:

Q Mr. Carstarphen, you have been placed under oath this morning?

A Yes.

Q Do you have any questions about what that oath means?

A No.

3

A A note pad.

Q I can see it's a note pad, sir. What's on

it?

A I have just stuff that I made notes on.

Q All right. May I see it, please?

Thank you.

(A yellow sheet from a notepad was

marked Exhibit 56 for

identification.)

(Handwritten notes dated 4/23/10 were

marked Exhibit 57 for

identification.)

(A two-page document dated January 5,

2000 entitled Time Line was marked

Exhibit 58 for identification.)

BY MR. HILL:

Q Mr. Carstarphen, I have marked Exhibits 56, 57, and 58. And I'll give you back your pad.

The first page, Exhibit 56, is the top sheet from your pad; is that correct?

A That's correct.

Q Is that all your handwriting?

A That's my handwriting.

Q Okay. We'll come back to that one later.

Well, when did you prepare 56?

2

Q Do understand that that is the same oath that would be administered if we were in a court of law?

A Yes.

Q Do you need me to go over the admonitions concerning procedures, or do you feel comfortable with them, sir?

A I'm fine.

Q Okay. Did you do anything to prepare for the deposition today?

A No.

Q Nothing whatsoever?

A Nothing.

Q Did not look at any documents?

A No.

Q Did not speak with any person at all?

A Only with my attorney.

Q Okay. With whom did you speak?

A Mr. Russo.

Q And when?

A This morning.

Q And how long did that discussion last?

A 15, 20 minutes.

Q Okay. You have some documents in front of you. What do you have, sir?

4

A This morning.

Q Did you refer to anything?

A No.

Q Just from memory?

A Yes.

Q Okay. Exhibit 57, what is this, sir?

A Some more notes that I made.

Q When did you make them?

A Last night.

Q Did you refer to any documents or anything in making this?

A No.

Q Okay. So you did --

A Strictly from memory.

Q So you did prepare this in anticipation of your deposition; is that right?

A Yes.

Q Okay. For you to refer to --

A Uh-huh.

Q One of the things you need to do is to say yes or no for the court reporter.

A Yes.

Q Thank you, sir.

And Exhibit 58 consists of, it's a couple things. Let me show you Exhibit 58, sir. It's two

Deposition of John Carstarphen, Friday, April 23, 2010

5

1 pages?

2 A Yes.

3 Q What is that?

4 A That's a timeline that I prepared back in
5 the year 2000.6 (A copy of an e-mail dated Friday,
7 September 01, 2006, was marked Exhibit
8 59 for identification.)

9 BY MR. HILL:

10 Q Okay. And what is Exhibit 59?

11 A This is an e-mail to Mark Gunderson with
12 some additional dates that I remembered. And I don't
13 know, look on the date of that.14 Q "Look on the date." Oh, you're talking
15 about 59?

16 A Yes. This was prepared back in 2006.

17 Q Okay. We'll get copies of all of these
18 made. And if as we go you feel you need to refer to
19 any of these this morning in answering any questions,
20 you're free to do so. I would just ask that you
21 identify, "I'm now looking at Exhibit 56 to refresh
22 my recollection," that's fine, just as long as it's
23 clear on the record. Okay?

24 A Yes.

25 Q All right. Are you familiar with this

7

1 Q Has Mr. Brown ever told you anything that
2 you subsequently found out to be false?

3 A I don't believe so.

4 Q Okay. Has Mr. Brown done anything that
5 caused you any of the harm in this case that you
6 complain about?

7 A No.

8 Q Do you know a lady named Linda Reed?

9 A Yes.

10 Q How is it that you know Ms. Reed, sir?

11 A She's the bookkeeper for American

12 Medflight.

13 Q Is Ms. Reed -- I forgot about Mr. Brown.
14 Is Mr. Brown competent at what he does?

15 A Yes.

16 Q And what is it that he does at American
17 Medflight, sir?

18 A He's director of maintenance.

19 Q And he's also a director?

20 A Uh-huh.

21 Q Yes?

22 A Yes.

23 Q Thank you. My job is to catch those
24 things.

25 A Okay.

6

1 gentleman to my left?

2 A Yes.

3 Q Who is he?

4 A Jim Brown.

5 Q And how is it that you know Mr. Brown, sir?

6 A He's the director of maintenance and a
7 director of American Medflight.8 Q All right. How long have you known
9 Mr. Brown?

10 A Oh, God.

11 Q More than ten years?

12 A Yes.

13 Q Okay.

14 A Probably about 1993.

15 Q Did you meet him before American Medflight
16 was formed?

17 A I'm sure I did.

18 Q Has he been an employee of American
19 Medflight since its inception?

20 A Yes.

21 Q Have you known Mr. Brown to be an honest
22 man, sir?

23 A Yes.

24 Q Has Mr. Brown ever lied to you, sir?

25 A No.

8

1 Q Do you have any complaints about any things
2 that Mr. Brown has done or not done in his capacity
3 as a director of maintenance at American Medflight?

4 A No.

5 Q Okay. Do you have any complaints or issues
6 with anything that Mr. Brown has done in his capacity
7 as a director at American Medflight?

8 A No.

9 Q Now Ms. Reed is the bookkeeper?

10 A Uh-huh.

11 Q Yes?

12 A Yes.

13 Q Okay. We'll get you trained by the end of
14 the day.

15 A Okay.

16 Q Is Ms. Reed competent?

17 A Yes.

18 Q Have you ever known Ms. Reed to lie to you,
19 sir?

20 A No.

21 Q Is she an honest person, sir?

22 A Yes.

23 Q Has she ever told you anything that proved
24 to be false?

25 A I don't believe so.

9

1 Q Ms. Reed worked for you for a period of
2 time, did she not, sir?
3 A Yes, she did.
4 Q What was her position, and who did she work
5 for?
6 A Her position was bookkeeper.
7 MR. HILL: Off the record.
8 (Off the record.)
9 BY MR. HILL:
10 Q Are you familiar with a Mr. Geyer?
11 A Yes.
12 Q How is it that you are familiar with a
13 Mr. Geyer, sir?
14 A Mr. Geyer was a chief pilot.
15 Q At American Medflight?
16 A Yes.
17 Q Was Mr. Geyer an honest person, sir?
18 A Yes.
19 Q Did Mr. Geyer ever lie to you?
20 A No.
21 Q Was Mr. Geyer competent in his functions?
22 A Yes.
23 Q Did Mr. Geyer ever tell you anything that
24 proved to be untruthful?
25 A I don't believe so.

11

1 A I don't know.
2 Q Did you know him before he was the chief
3 pilot?
4 A No.
5 Q Who hired him, do you know?
6 A No.
7 Q Have you spoken to Mr. Burrell?
8 A In a conversation?
9 Q Yes.
10 A No.
11 Q So you've never talked to the man?
12 A Yes.
13 Q My statement is correct; or no, you have
14 talked to him?
15 A I have talked to him in a board of
16 directors meeting only.
17 Q Okay. Has Mr. Burrell ever lied to you,
18 sir?
19 A I don't know him well enough to answer that
20 question.
21 Q So as you sit here you have no reason to
22 believe that anything that Mr. Burrell has ever told
23 you was false; is that correct?
24 A I don't believe Mr. Burrell has told me
25 anything.

10

1 Q Okay. There is a new gentleman who is on
2 the board of directors at American Medflight. Do you
3 know his name?
4 A Not offhand.
5 Q Okay.
6 A His first name is John.
7 Q And his last name starts with a B?
8 A I'm not sure.
9 MR. BROWN: Burrell.
10 THE WITNESS: Burrell.
11 BY MR. HILL:
12 Q How long have you known Mr. Burrell,
13 Mr. Carstarphen?
14 Is that the gentlemen you're referring to?
15 A Yes.
16 Q How long have you known Mr. Burrell,
17 Mr. Carstarphen?
18 A A couple of months maybe, or something like
19 that.
20 Q What does he do at American Medflight, if
21 you know?
22 A He's the chief pilot --
23 Q And --
24 A -- and director.
25 Q And how long has he been the chief pilot?

12

1 Q Okay. Do you have any complaints or issues
2 with any actions that Mr. Burrell has taken as chief
3 pilot at American Medflight?
4 A I don't know him well enough to have any
5 issues.
6 Q Fair enough, sir.
7 And do you have any complaints or issues
8 with anything that Mr. Burrell has done in his
9 capacity as director at American Medflight?
10 A I don't believe so.
11 Q Are you familiar --
12 MR. HILL: The record should reflect that
13 Mr. Hamilton, who is counsel for American Medflight,
14 has joined us.
15 BY MR. HILL:
16 Q Mr. Carstarphen, are you familiar with
17 Mr. Dawson?
18 A Yes.
19 Q How long have you known Mr. Dawson?
20 A Probably since 1990.
21 Q Okay. And you and Mr. Dawson got together
22 and formed American Medflight with Mr. Hilsner; is
23 that correct?
24 A That's correct.
25 Q And since that time that Mr. Dawson has

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1 been a -- he started as a shareholder of American
 2 Medflight; did he not?
 3 A Yes.
 4 Q But he is no longer a shareholder of
 5 American Medflight, is he?
 6 A Correct.
 7 Q And do you know when he ceased to be a
 8 shareholder in American Medflight, sir?
 9 A I think 1998.
 10 Q Okay. And Mr. Dawson has been an officer
 11 and a director of American Medflight at various
 12 times; is that correct?
 13 A At various times.
 14 Q Okay. Has Mr. Dawson ever lied to you,
 15 Mr. Carstarphen?
 16 A No.
 17 Q Has Mr. Dawson ever told you anything that
 18 subsequently proved to be false?
 19 A I do not believe so.
 20 Q Has Mr. Dawson competently discharged his
 21 duties as an employee of American Medflight, to your
 22 knowledge?
 23 A Yes.
 24 Q Do you have any complaints or issues with
 25 any actions that Mr. Dawson has taken in his capacity

15

1 intentionally wrong, sir?
 2 A Well, I mean, he -- I'm not quite sure how
 3 to answer that.
 4 Q Okay.
 5 A I'm not quite sure.
 6 Q Let's see if we can put a little finer
 7 point on it. I'm sorry.
 8 A I mean, I have had disagreements as to
 9 policy, and to characterize it as something wrong is
 10 not -- it's a disagreement in policy and direction.
 11 Q Okay. Can we say then that your
 12 disagreements with Mr. Dawson would be in the nature
 13 of a disagreement about how business should be
 14 conducted?
 15 A Yes.
 16 Q Do you think that Mr. Dawson has ever done
 17 anything that was calculated to harm you, sir?
 18 A No.
 19 Q Has Mr. Dawson done anything that has
 20 caused you any of the harm that you complain about in
 21 this lawsuit?
 22 A I'm not sure.
 23 Q Okay. What do you think that Mr. Dawson
 24 may have done that caused or contributed to any of
 25 the harm that you claim you suffered in this lawsuit,

14

1 as a director of American Medflight?
 2 A Can you rephrase that?
 3 Q Yes, sir.
 4 Mr. Dawson has been a director of American
 5 Medflight for virtually its entire existence. Will
 6 you agree with me?
 7 A Yes.
 8 Q Okay. And during that time do you believe
 9 that Mr. Dawson has done anything as a director that
 10 was inappropriate?
 11 A You're going to have define
 12 "inappropriate." I've had disagreements, but I don't
 13 know that I would call it inappropriate.
 14 Q I'm sorry. I didn't hear the last part.
 15 A I said that I have had disagreements --
 16 Q Okay.
 17 A -- but I would not characterize it as
 18 inappropriate.
 19 Q Okay. Has Mr. Dawson done anything that
 20 you would characterize as -- in his capacity as a
 21 director; I would like to focus on that for a few
 22 minutes -- has Mr. Dawson done anything that you
 23 regard as intentionally wrong?
 24 A Yes.
 25 Q Okay. What has he done that you regard as

16

1 sir?
 2 MR. RUSSO: I object to it's not reasonably
 3 calculated to lead to the discovery of admissible
 4 evidence. There is no allegation against Mr. Dawson
 5 in this case.
 6 BY MR. HILL:
 7 Q Okay. Mr. Carstarphen, I think you
 8 understand the rules that the Judge decides the
 9 objections, and your counsel is welcomed to put his
 10 objections on the record, but once he states his
 11 objections then you are required to go forward and
 12 answer the question until and unless Mr. Russo
 13 instructs you not to answer the question. Do you
 14 understand that?
 15 A Uh-huh.
 16 Q Thank you.
 17 MR. RUSSO: Can you read back that
 18 question?
 19 (The Question was Repeated.)
 20 BY MR. HILL:
 21 Q Do you have the question in mind, sir?
 22 A Yes, I think so.
 23 Q Okay. What has Mr. Dawson done that caused
 24 you harm, sir? Give me the list, and we'll talk
 25 about all of them; I promise.

17

1 A I'm not quite sure how to answer that.
 2 MR. RUSSO: I think it might speed it up if
 3 I talk to him for a moment. We'll take a 30-second
 4 break.
 5 MR. HILL: I have a question pending,
 6 counsel, and it's inappropriate --
 7 MR. RUSSO: He said he's not sure, and I'm
 8 going to see if I can speed this up.
 9 MR. HILL: Counsel, I strongly object to
 10 you taking the witness out of the room to coach him
 11 while I've got a question pending. That's
 12 inappropriate behavior, sir.
 13 (Off the record.)
 14 MR. HILL: We're back on the record,
 15 please.
 16 BY MR. HILL:
 17 Q Mr. Carstarphen what did you and Mr. Russo
 18 discuss?
 19 MR. RUSSO: Objection, attorney/client
 20 privilege, and I instruct the witness not to answer.
 21 MR. HAMILTON: And there are cases coming
 22 all over the place that say he has to answer that,
 23 and you can't take him out and coach him and --
 24 MR. HILL: Mr. Hamilton.
 25 MR. HAMILTON: -- It's a sanctionable event

19

1 A Yes.
 2 Q Okay. What do you believe Mr. Dawson has
 3 done that caused you harm, sir?
 4 A I don't believe that Mr. Dawson did
 5 anything directly to harm me. Okay?
 6 Q Okay.
 7 A However, he was complicit with Mr. Milsner
 8 in things that did harm me.
 9 Q What do you --
 10 A In other words, he went along with things
 11 that did do a lot of harm.
 12 Q Is this different from the description you
 13 gave me earlier about differences over policy, or are
 14 we talking about -- do we continue to be talking
 15 about differences over policy?
 16 A Yes.
 17 Q Policy?
 18 A Yes.
 19 Q Okay. My question was compound, so it was
 20 a poor one, and I apologize.
 21 Do you believe that -- well, what is the
 22 harm that you claim in this case do you believe
 23 Mr. Dawson was complicit in, sir?
 24 A All of it.
 25 Q All of it. Okay. When did you form the

18

1 for you to do that.
 2 MR. HILL: Mr. Hamilton, please.
 3 BY MR. HILL:
 4 Q Mr. Carstarphen, I just want to be clear.
 5 You and Mr. Russo did leave the room, and you and
 6 Mr. Russo did you have a conversation; is that
 7 correct?
 8 A Yes.
 9 Q And Mr. Russo has instructed you not to
 10 answer my question to tell me what you and he
 11 discussed outside. Is that your understanding?
 12 A No.
 13 MR. RUSSO: That was my instruction.
 14 BY MR. HILL:
 15 Q Well, are you going to follow Mr. Russo's
 16 instruction, Mr. Carstarphen?
 17 A He didn't give me any instruction.
 18 Q Sitting here in the room when I asked you
 19 to tell me what Mr. Russo told you outside, didn't
 20 you hear Mr. Russo say to you that he objected, and
 21 instructed you not to answer my question about what
 22 you talked about outside?
 23 A Yes.
 24 Q And do you intend to abide by that
 25 instruction, sir?

20

1 opinion that Mr. Dawson was complicit in the harm
 2 that you claim in this case, sir?
 3 A Because he voted along with Mr. Milsner.
 4 Q Okay. And do you believe that Mr. Dawson
 5 voted the way he did to hurt you?
 6 A No, I don't think so.
 7 Q Do you think that Mr. Dawson had an honest
 8 disagreement with you about the issues in question?
 9 A It could be. I don't know.
 10 Q Do you believe Mr. Dawson had a dishonest
 11 motive in voting in manners that you believe caused
 12 you harm?
 13 A No.
 14 Q Do you think it's just an honest
 15 disagreement about how the business should be run?
 16 A I don't know what it is.
 17 Q Okay. Voting in complicity with
 18 Mr. Milsner is one item that you have identified for
 19 me that you say whereby Mr. Dawson caused you or
 20 contributed to the harm that you claim.
 21 Is there anything else that he did or did
 22 not do, sir?
 23 A No.
 24 Q Do you believe that Mr. Milsner manipulates
 25 or controls Jim Brown?

21

1 A I have no idea.
 2 Q Do you have any reason to believe that he
 3 does?
 4 A I don't have any idea.
 5 Q So have you -- okay. You don't know? You
 6 don't know?
 7 A I don't know.
 8 Q Okay. What about Linda Reed, does he
 9 manipulate or control Linda Reed?
 10 A I don't know.
 11 Q Has he ever manipulated or controlled
 12 Linda Reed, to your knowledge?
 13 A I don't know.
 14 Q Has he ever manipulated or controlled
 15 Jim Brown, to your knowledge?
 16 A I don't know.
 17 Q What about Mr. Geyer, does Mr. Milsner
 18 manipulate or control Mr. Geyer?
 19 A I don't know.
 20 Q What about Mr. Burrell?
 21 A I don't know.
 22 Q What about Mr. Dawson?
 23 A I don't know.
 24 Q So you don't know whether Milsner
 25 manipulates or controls Dawson in the matters that we

23

1 Q Okay. Did you, at any point when any of
 2 those votes were being cast, did you say to
 3 Mr. Dawson words to the effect of: Mr. Dawson, that
 4 vote is causing me harm?
 5 A No.
 6 Q Have you said words to the effect to
 7 Mr. Dawson: Mr. Dawson, that vote you took on any
 8 particular date caused me harm?
 9 A No.
 10 Q You're familiar with my client Mr. Milsner?
 11 A Yes.
 12 Q When did you first meet Mr. Milsner?
 13 A I think about 1994.
 14 Q And was that in the process of
 15 American Medflight being formed?
 16 A Yes.
 17 Q Is Mr. Milsner an honest person, sir?
 18 A No.
 19 Q You regard Mr. Milsner as a dishonest
 20 person; is that correct?
 21 A Yes.
 22 Q Has Mr. Milsner ever told you anything that
 23 was false?
 24 A Yes.
 25 Q What has Mr. Milsner told you that was

22

1 were talking about earlier where he voted complicitly
 2 with Milsner?
 3 A I don't know.
 4 Q Okay. Has anybody ever told you that?
 5 A Told me what?
 6 Q That Milsner manipulated or controlled
 7 Dawson?
 8 A No.
 9 Q Okay. Do you believe it as you sit here?
 10 A I don't know.
 11 Q You don't know one way or the other?
 12 A I don't know one way or the other.
 13 Q The harm that you contend that Mr. Dawson
 14 caused you --
 15 MR. RUSSO: He doesn't contend. There is
 16 no allegation in the complaint of that.
 17 MR. HILL: Well, I understand that, but
 18 he's testified here today to the contrary. I
 19 understand that Mr. Dawson is not in the case, and
 20 that's fine, but his testimony is what it is.
 21 BY MR. HILL:
 22 Q You believe that Mr. Dawson voting the way
 23 he did caused or contributed to the harm that you are
 24 complaining about in this case; is that right?
 25 A Yes.

24

1 false, sir? Give me the list, and we'll go through
 2 all of them.
 3 A Well, the list is too numerous I think to
 4 even try and come up with.
 5 Q Well, why don't you give me the top five.
 6 Let's start with the top five. Can we do that?
 7 A Okay. The first one was before a board of
 8 directors meeting he told me that if I dropped the
 9 lawsuit I could participate in ESOP.
 10 Q Okay. What else?
 11 A He told me that he would buy my stock back
 12 in 1999.
 13 Q Okay. What else?
 14 MR. RUSSO: Do you need to take notes of
 15 the list?
 16 BY MR. HILL:
 17 Q Do you need to refer to your Exhibits 56,
 18 57, 58, 59, Mr. Carstarphen? Feel free. I mean,
 19 your attorney is trying to help you.
 20 MR. RUSSO: No, I'm just saying if you want
 21 to take notes as you go because it helps you, then
 22 please do so.
 23 BY MR. HILL:
 24 Q So you are now looking at which document?
 25 A 56.

25

1 Q Okay.

2 A He told me when I questioned him about the

3 consulting fee that he deserved it because of the

4 risk he was taking.

5 Q What else, sir?

6 These are statements that Mr. Milsner made

7 to you that were false; is that right?

8 A That's correct.

9 Q Okay. What else?

10 A This is not a false statement, but he

11 admitted the fact that my stock was going to go down

12 \$1.3 million by the sale of the ESOP to Mr. Milsner

13 by Mr. Milsner.

14 Q What else, sir?

15 A He --

16 Q While we're at it let's do this -- well,

17 keep going with false.

18 A You said you wanted the top five.

19 Q We're going to go beyond five, but we'll

20 start with five and see where we go.

21 A Okay. He used my personal guarantee on a

22 line of credit for his personal use in an amount of

23 about \$140,000 without my knowledge.

24 Q Okay. What else?

25 A He wrote himself a personal check for

26

1 \$100,000, without Jack or my knowledge.

2 Q What else, sir?

3 A He took about another, and I'm not sure of

4 the amount but it's around \$100,000, as a fee for

5 guaranteeing the notes on the aircraft.

6 Q Okay. What else?

7 A Is that enough?

8 Q No, I want to hear everything, sir. This

9 is the time for you to tell me about all of the

10 things that Mr. Milsner has done to you, sir. And I

11 am going to insist that I get answers to my

12 questions, sir.

13 Now you seem to be welling up. Are you

14 okay?

15 A No. I'm fine.

16 Q Do you need a break?

17 A No, I don't need one. I'm fine.

18 Q Okay.

19 A We specifically had in the bylaws

20 protection when we formed the corporation that there

21 would be no self-dealing. And I had a construction

22 company at that time, and we all agreed that if

23 American Medflight was to use my construction company

24 for anything that one or the other partners would

25 sign the checks and watch the disbursements. And

27

1 likewise, if any money was to be going to Reno Flying

2 Service, that I was supposed to sign the checks and

3 approve them. Which was never done.

4 And subsequently in 2000 that provision of

5 the bylaws was repealed, against my vote.

6 Q Okay. What else, sir?

7 A That's enough.

8 Q Mr. Carstarphen, have you told me all of

9 the things that Mr. Milsner has done to you -- or let

10 me back up.

11 We started off on this, when I asked you to

12 tell me everything that Mr. Milsner told you that was

13 false. Have you now told me everything that

14 Mr. Milsner told you, has ever told you, that was

15 false?

16 A No, I'm sure there are many more things

17 that I can't remember.

18 Q Okay. How about anything that he told you

19 or did that caused you any of the harm that you

20 complain about in this case?

21 A All of these things.

22 Q Okay. These are -- if I understand, with

23 maybe one exception -- these are things that Milsner

24 did that caused you harm.

25 A Yes.

28

1 Q What I would like you to tell me, though,

2 is, is -- well, you told me that Mr. Milsner said in

3 1999 that you would buy your stock. Do you remember

4 telling me that, sir?

5 A Yes.

6 Q Tell me, what did Mr. Milsner say to you?

7 A I don't know. We negotiated this over a

8 period of a year, so there was many conversations.

9 Q Okay. What did he precisely tell you

10 that -- well, let me back up.

11 You contend that Mr. Milsner told you he

12 would buy your stock, and that Mr. Milsner failed to

13 do so.

14 A Correct.

15 Q And that conversation took place in 1999.

16 A I believe so.

17 Q Okay. Do you believe that you are entitled

18 to any compensation for anything pertaining to that

19 conversation?

20 A No.

21 Q Okay. Then we don't need to worry about

22 that.

23 What else -- well, but you believe that

24 Milsner told you he would buy the stock, and had no

25 intention of buying it?

29

1 A Yes.
 2 Q Why do you believe that, sir?
 3 A It's just what I believe.
 4 Q What facts is that belief based on?
 5 A A year's worth of negotiations, and many
 6 documents produced and legal documents produced.
 7 Q Okay. Did you expend money on attorney's
 8 fees?
 9 A Yes.
 10 Q With whom?
 11 A I'm not sure.
 12 Q Do you still have --
 13 A I think --
 14 Q I'm sorry. Go ahead.
 15 A Go ahead. I'm not sure.
 16 Q Okay. Do you still have the documentation
 17 concerning those negotiations?
 18 A Oh, yes.
 19 Q Where is it?
 20 A It's in my home.
 21 Q All right. The rest of the items are
 22 things that Mr. Milsner did - at least as I
 23 understand, but we'll go through them - that caused
 24 you harm. What I would really like to narrowly focus
 25 on is whether Milsner has ever lied to you.

31

1 A I don't know.
 2 Q What about 2008, sir, did he lie to you
 3 during that year?
 4 A I don't know.
 5 Q Did Mr. Milsner lie to you during 2007,
 6 Mr. Carstarphen?
 7 A I don't know.
 8 Q Mr. Carstarphen, are you on any medication
 9 today?
 10 A No.
 11 Any medication?
 12 Q Yes, sir.
 13 A Yes, I take medication.
 14 Q Okay. Do you take anything that would
 15 affect your memory?
 16 A No.
 17 Q Do you take anything that would affect your
 18 ability to understand my questions?
 19 A No.
 20 Q Are you diabetic?
 21 A No.
 22 Q Do you have any conditions that would
 23 affect your ability to recall or understand my
 24 questions, recall answers or --
 25 A No. No.

30

1 MR. RUSSO: Actually, that's what the
 2 question was --
 3 MR. HILL: Right.
 4 MR. RUSSO: -- not harm, he said, but where
 5 did he lie.
 6 MR. HILL: I know. And he gave me a
 7 nonresponsive answer, and I'm trying to bring the
 8 witness back on beam here.
 9 BY MR. HILL:
 10 Q Do you understand, sir? I mean, we'll go
 11 through all of these, I promise you we will, but I
 12 want you to tell me, before we move on, any time that
 13 Milsner lied to you.
 14 And if you contend he lied to you in these
 15 things we'll go back through them, but are there any
 16 things where he just flat out lied to you?
 17 A Many times.
 18 Q Okay. Any that you recall as you sit here
 19 today?
 20 A Not offhand.
 21 Q Has Mr. Milsner lied to you in the year
 22 2010, sir?
 23 A I don't believe so.
 24 Q Did Mr. Milsner lie to you in the year
 25 2009?

32

1 Q Okay. Did Mr. Milsner lie to you in the
 2 year 2006, Mr. Carstarphen?
 3 A I don't know.
 4 Q Did he lie to you in the year 2005?
 5 A I don't know.
 6 Q Did he lie to you in the year 2004?
 7 A I don't know.
 8 Q Has anybody ever told you that Mr. Milsner
 9 lied to you in any of those years?
 10 A I don't know.
 11 Q You do not know --
 12 A I do not know.
 13 Q -- if anybody ever told you that Milsner
 14 lied to you?
 15 A I don't know.
 16 Q So that means somebody may have; may not
 17 have?
 18 A May have; may not have.
 19 Q Okay. All right. I guess --
 20 MR. HILL: Off the record.
 21 (Off the record.)
 22 BY MR. HILL:
 23 Q Have you ever spoken to a Mr. Daoro?
 24 A No.
 25 Q Do you know who Mr. Daoro is?

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1 A Yes.
 2 Q Who is he?
 3 A He's a CPA for, I believe, Richard Milsner.
 4 Q Does he do any CPA work for American
 5 Medflight?
 6 A I believe so.
 7 Q Have you ever spoken to him?
 8 A I already answered that.
 9 Q And what was the answer, sir? I'm sorry.
 10 A No.
 11 Q Have you ever tried to contact Mr. Daoro?
 12 A I don't believe so.
 13 Q Have you been provided with Mr. Daoro's
 14 telephone number?
 15 A I do not believe I have his telephone
 16 number.
 17 Q Have you ever asked him for it?
 18 A No.
 19 Q Has anybody ever said that you could not
 20 talk to Mr. Daoro?
 21 A No.
 22 Q Mr. Daoro served as a director of the
 23 company for a time, did he not, sir?
 24 A Yes.
 25 Q Do you have any complaints about anything

35

1 director, Mr. Carstarphen -- well, let me back up.
 2 Are you a good director?
 3 A I believe so.
 4 Q Okay. What do you do to be sure that
 5 you're a good director?
 6 A Meet with the corporate officers from
 7 time-to-time.
 8 Q Okay. What else?
 9 A Review the financial statements.
 10 Q Okay. What else?
 11 A Review income tax returns.
 12 Q Okay. Anything else?
 13 A That's pretty much it.
 14 Q Okay. You've never been to law school;
 15 have you, sir?
 16 A No.
 17 Q You're not a lawyer?
 18 A God, no.
 19 Q Okay. So I would like your understanding
 20 as a layman, what kind of duties, if any, what kind
 21 of responsibilities do you have to the other
 22 shareholders in the company as a director? Just your
 23 opinion. It may be right, it may be wrong, but it's
 24 your opinion, sir.
 25 A I have a fiduciary responsibility to look

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1 that Mr. Daoro did or did not do while he served as a
 2 director of American Medflight?
 3 MR. RUSSO: Objection, no foundation. You
 4 weren't on the board. He doesn't know what he did.
 5 Why don't you ask him that first.
 6 BY MR. HILL:
 7 Q You are a director of American Medflight,
 8 are you not, sir?
 9 A Yes.
 10 Q What do you understand your job to be as a
 11 director?
 12 A I don't understand the question.
 13 Q What does it mean to you to be a director
 14 of American Medflight, sir? What are your duties?
 15 A It's to take care of the business aspect of
 16 the company.
 17 Q All right. And what things do you do to
 18 take care of the business aspect of the company?
 19 A Involved in meetings of various things that
 20 we're planning on doing, or expenditures that are
 21 planning to be made.
 22 Q Okay. So you are involved in meetings from
 23 time-to-time?
 24 A Yes.
 25 Q Okay. What else do you do to be a good

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1 after the shareholders of the company.
 2 Q Okay. What is -- you used a word, two
 3 words, "fiduciary responsibility." What does that
 4 mean?
 5 MR. RUSSO: To you.
 6 BY MR. HILL:
 7 Q To you.
 8 A It's a responsibility to look after the
 9 best interests of the shareholders.
 10 Q Okay. And how do you meet that obligation,
 11 sir? What things do you do to meet that obligation
 12 to the other shareholders?
 13 A All the things that I just enumerated.
 14 Q Okay. Do you believe that as a director
 15 you're supposed to be careful how money is spent by
 16 the company?
 17 A That's more of a day-to-day operation than
 18 a director.
 19 Q Okay. Okay. Do you believe that the
 20 directors are responsible to see to it that the
 21 company honors its agreements?
 22 A Yes.
 23 Q Do you believe that the directors -- are
 24 you as a director, are you supposed to comply with
 25 the rules that control the company?

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1 A Yes.
 2 Q Okay. Was Mr. Daoro complicit in anything
 3 that Mr. Milsner did that caused you harm?
 4 A I don't know.
 5 Q Do you believe that Milsner controls or
 6 manipulates Daoro?
 7 A No.
 8 Q Okay.
 9 A Can I make a clarifying statement?
 10 Q Certainly, sir.
 11 A At the time when Mr. Daoro was a board of
 12 director I was not a board of director, so I have no
 13 knowledge of what went on.
 14 Q Okay. Fair enough.
 15 A Okay?
 16 Q Fair enough. But I still need to ask those
 17 questions because somebody may have told you that,
 18 and I need to know that information if you have it.
 19 Okay?
 20 A Okay.
 21 Q Now do you believe that Milsner manipulates
 22 or controls Mr. Dawson?
 23 A I already answered that question.
 24 Q I'm sorry, sir, I don't recall the answer.
 25 A I don't know.

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1 Mr. Carstarphen?
 2 A 1998.
 3 Q Tell me about that. What was it that
 4 caused you at that point in time to believe that
 5 Mr. Milsner was not honest?
 6 A That's when he terminated me.
 7 Q Okay. Mr. Milsner terminated you?
 8 A Jack Dawson terminated me.
 9 Q And you think that Milsner put him up to
 10 it?
 11 A I don't know what that means.
 12 Q Well --
 13 A I'm sure they were in agreement.
 14 Q Okay. Mr. Dawson is the one who
 15 communicated to you face-to-face that you were being
 16 terminated?
 17 A Yes.
 18 Q Do you believe -- were there good grounds
 19 to terminate you, sir?
 20 A No.
 21 Q What were you told were the grounds that
 22 you were terminated?
 23 A I was not told.
 24 Q Just no reason at all; you're done, that's
 25 it, get out?

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1 Q Oh, you don't know. Okay. Fair enough.
 2 Have you ever alleged that he did? Have
 3 you ever told anybody that Mr. Milsner manipulated or
 4 controlled Jack Dawson?
 5 A No.
 6 Q Okay. Do you have a personal opinion of
 7 Mr. Milsner? Do you like him or dislike him?
 8 A I don't think I can say one way or the
 9 other.
 10 Q So your testimony here today under oath is,
 11 is that you do not have an intense dislike for
 12 Richard Milsner?
 13 A I still deal with the man.
 14 Q I understand that, sir. Can you answer my
 15 question?
 16 A Do I dislike him? No.
 17 Q Okay. So do you like him?
 18 A No.
 19 Q Not a good guy?
 20 A Not a good guy.
 21 Q And you've already told me he's not an
 22 honest person?
 23 A I said that.
 24 Q Okay. When did you first form the opinion
 25 that Mr. Milsner was not an honest person,

40

1 A Uh-huh.
 2 Q Yes?
 3 A Yes.
 4 Q Thank you.
 5 Do you believe that Milsner told -- well,
 6 there was a stock transaction between Dawson and
 7 Milsner in 1998.
 8 A Yes.
 9 Q Was the agreement to terminate you reached
 10 before or after, do you know?
 11 A I don't know.
 12 Q What about that termination caused you to
 13 believe that Milsner was not an honest person?
 14 A At that time when Jack was selling his
 15 stock it was going to be for a payment of \$5,000 a
 16 month. And I told -- and I was the president of the
 17 company at that time, and I knew very well that the
 18 company could pay Jack Dawson \$5,000 a month for his
 19 stock and retire the stock, and then Mr. Milsner and
 20 I would be 50-50 ownership.
 21 He told me that the company could not
 22 afford \$5,000 a month, and that he was going to buy
 23 the stock directly, and making him a two-third owner
 24 and then moving me to a minority stock owner of
 25 one-third.

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1 Within one month of that time, the company
2 started paying Reno Flying Service \$5,000 a month in a
3 consulting fee that easily could have gone to buying
4 Jack's stock. And that continued on until, I
5 believe, 2008, for a period of ten years --

6 Q Okay.

7 A -- of over half a million dollars.

8 Q And you believe that was a dishonest act by
9 Mr. Milsner?

10 A I do believe that.

11 Q And when did you form the opinion that that
12 was a dishonest act by Mr. Milsner?

13 A About three months into the payment of that
14 \$5,000 a month I confronted Mr. Milsner, and I
15 believe right shortly after that is when I was
16 terminated.

17 Q Okay. So the stock deal with Milsner and
18 Dawson was in February of '98? Is that on one of
19 your timelines?

20 A Probably.

21 Q Let's take a look. Your counsel has handed
22 you what document?

23 MR. RUSSO: 5B.

24 THE WITNESS: 5B.

25

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1 A Because I signed two of the checks.

2 Q Okay.

3 A And that's when I questioned why we were
4 doing this. And then in December of '98 they fired
5 me.

6 Q Okay. Did Mr. Milsner do anything after
7 1998 to redeem himself to show you that he was an
8 honest guy, or did he continue to be a dishonest
9 person thereafter, sir?

10 A He continued to be a dishonest person
11 thereafter.

12 Q Okay. And in all of your dealings with him
13 has he been dishonest with you?

14 A Yes.

15 Q Do you believe that Mr. Milsner has done
16 things to try to hurt you?

17 A Yes.

18 Q Are there things that Mr. Milsner did that
19 he was trying to hurt you, other than what you've
20 already told me about here this morning?

21 A I'm sure there is.

22 Q But you don't recall anything else as you
23 sit here?

24 A No.

25 Q Okay. All right. Mr. Carstarphen, as long

42

1 BY MR. HILL:

2 Q Thank you, sir.

3 What does it say on there, or does it?

4 A Repeat the question?

5 Q Is the timing of the stock transaction
6 between Milsner and Dawson on Exhibit 5B, sir?

7 A Yes.

8 Q What does it say?

9 A It occurred in September of '98.

10 Q Okay. And you prepared this document in
11 2000?

12 A Yes.

13 Q So your recollection of things in 1998
14 would have been better in 2000 than it is today; is
15 that fair?

16 A Probably.

17 Q And when did the \$5,000 a month payment
18 start, sir? Shortly thereafter?

19 A I have down here either August or October
20 of '98.

21 Q Okay. So somewhere between August and
22 October of '98 is when the \$5,000 a month started.

23 A Yes.

24 Q When and how did you find out about that
25 \$5,000 a month?

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1 as there is not a question pending I'm happy to break
2 at any time.

3 You did sign some checks for this
4 consulting fee, didn't you?

5 A Yes.

6 Q And you thought it was wrong when you did
7 it?

8 A I didn't know exactly what it was for, and
9 I asked questions and I couldn't get answers.

10 Q Did you ever hear of Nancy Reagan?

11 A Who?

12 Q Nancy Reagan. Did you ever hear of her
13 program: Just say no? Did you ever hear of that?

14 A Uh-huh.

15 Q Did you ever think about Just saying: No,
16 I'm not going to sign them?

17 A I did do that on the third check that came
18 around.

19 Q Okay. And who did you say no to, sir?

20 A Mr. Milsner.

21 Q Okay. You and Mr. Milsner met
22 face-to-face?

23 A No.

24 Q How did the conversation occur, sir?

25 A I'm sure it was on the phone.

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1 Q Okay. What did he say?
 2 A I don't remember.
 3 Q What did you say?
 4 A I says: What is this \$5,000 a month thing
 5 for?
 6 Q And what did he say?
 7 A He says it was for his -- the risk that he
 8 was taking.
 9 Q Okay. Has anybody ever told you that in
 10 that period of time Reno Flying Service had been
 11 paying bills for American Medflight? Anybody ever
 12 say anything like that to you?
 13 A Reno Flying Service has never paid any
 14 bills for American Medflight.
 15 Q Did American Medflight owe Reno Flying
 16 Service any money in that time frame, in the time
 17 frame when those \$5,000 checks started?
 18 A During that?
 19 Q Yes.
 20 A What do you mean? In what period?
 21 Q Well, I wasn't there. You told me this
 22 morning that the checks started in sometime between
 23 August and October of 1998. At that point in time
 24 was American Medflight paying rent to Reno Flying
 25 Service?

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1 A I don't know if there was or there wasn't.
 2 Q Where did the bylaws of Arrow Medicare,
 3 Inc. that we see here as Exhibit 15, do you know
 4 where this document came from?
 5 A Yes.
 6 Q Where?
 7 A I produced it.
 8 Q Okay. Where did you get it?
 9 A I don't know.
 10 Q What did you do -- how did you prepare
 11 them?
 12 A It was basically a cut and paste of some
 13 other documents I had.
 14 Q Are you telling me that the bylaws
 15 themselves were changed, or just the name on the
 16 document was changed?
 17 A I believe just the name on the document.
 18 Q Okay. So the bylaws themselves are
 19 substantially as they were when they were agreed upon
 20 way back when?
 21 A I believe so.
 22 Q Okay. And let's look at the last page.
 23 Do you know if that's Milisner's signature?
 24 Do you believe it is?
 25 A I don't know, but I believe it is.

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1 A Rent? I'm sure.
 2 Q Okay. Was it paying its share of overhead
 3 expenses at that point in time?
 4 A Yes.
 5 Q Was it current on its accounts with Reno
 6 Flying Service?
 7 A Yes.
 8 Q Okay. I'm going to hand you binder 1, and
 9 I'm going to ask you to turn to Exhibit 15, please.
 10 Mr. Carstarphen, do you recognize
 11 Exhibit 15 as the bylaws of American Medflight?
 12 A They're the bylaws of Arrow Medicare.
 13 Q And did not Arrow Medicare, Inc., become
 14 American Medflight, Inc.?
 15 A Yes.
 16 Q Do you recognize Exhibit 15 as the bylaws
 17 of American Medflight?
 18 A I think the bylaws were changed to say
 19 American Medflight, not Arrow Medicare.
 20 Q When did that change take place?
 21 A I don't know.
 22 Q Were you a director at that time?
 23 A Yes.
 24 Q So there should be a directors resolution
 25 to that effect?

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1 Q Okay. And he's signing as the corporate
 2 secretary, and he says: The undersigned duly elected
 3 secretary of the corporation does certify that the
 4 foregoing bylaws were adopted by the board of
 5 directors on the 25th day of January, 1993.
 6 Is that a true statement?
 7 A I believe that to be correct.
 8 Q Were you in agreement that these bylaws as
 9 we see here in Exhibit 15 should be adopted?
 10 A Yes.
 11 Q Why have bylaws?
 12 A What do you mean, why have bylaws?
 13 Q Why did you think -- did you think they
 14 were necessary?
 15 A Yes.
 16 Q Why did you think they were necessary?
 17 A It shows how you're going to operate your
 18 corporation.
 19 Q Would it be fair to say that the bylaws are
 20 the ground rules for how we're going to run the
 21 company?
 22 A Yes.
 23 Q And do you think that the corporation
 24 should abide by the ground rules?
 25 A Definitely.

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1 Q And do you think that the directors are
2 controlled by the bylaws?
3 A I don't know how to answer that question.
4 Q Okay. Fair enough. That may have gotten a
5 bit technical.
6 Do you, as a director, believe that you're
7 bound by these bylaws?
8 A Yes.
9 Q And the other directors are bound as well?
10 A Yes.
11 Q Okay. Let's look for just a moment at --
12 you know what Bates stamps are, don't you?
13 A Uh-huh.
14 Q Let's go to page AMI 0020. It's page 4 of
15 the document. Let me know when you're there.
16 Are you with me?
17 A Uh-huh.
18 Q Section 1.08, Voting. I'm just going to
19 move things along here, I'm going to be rude and
20 point. Do you see where it says in here that every
21 share gets one vote?
22 A Uh-huh.
23 Q Do you see that?
24 A Yes.
25 Q Okay. And have you ever gotten more than

51

1 A I believe so.
2 Q Do you understand that to mean majority
3 rules at American Medflight?
4 A Yes.
5 Q Okay. And has that always been acceptable
6 to you?
7 A Yes.
8 Q Now when this corporation was formed you
9 owned -- what percentage of the corporation do you
10 own today, sir?
11 A One-third.
12 Q And you understood from the very beginning,
13 did you not, that that meant you could be out-voted?
14 A Yes.
15 Q And when you agreed to these bylaws you
16 understood that was a possibility, didn't you?
17 A Yes.
18 Q And have you ever been out-voted?
19 A Yes.
20 Q Have you been out-voted a lot?
21 A Yes.
22 Q Do you believe that the votes were in any
23 way fraudulent?
24 A No.
25 Q Do you believe that there was any kind of

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1 one vote per share?
2 A No.
3 Q Has anybody ever claimed to be entitled to
4 more than one vote per share?
5 A No.
6 Q Okay. Let's go to page 21, the next one,
7 sir. AMI 0021.
8 Let me direct your attention to the
9 paragraph that's G: If a quorum is present --
10 A Wait, wait. Wait. Okay.
11 Q Are you with me?
12 A Yes.
13 Q Let me read it to you: If a quorum is
14 present, unless the articles of Incorporation provide
15 for a different proportion, the affirmative vote of
16 holders of at least a majority of the voting power
17 represented at the meeting and entitled to vote on
18 any matter shall be the act of the stockholders,
19 unless voting by class is required for any action of
20 the stockholders by the laws of the State of Nevada,
21 the Articles of Incorporation or these bylaws, in
22 which case the affirmative vote of holders of at
23 least a majority of the voting power of each such
24 class shall be required.
25 Did I read that correctly, sir?

52

1 miscount that occurred when you lost on a vote?
2 A No.
3 Q Are there any of the issues that you
4 brought up here that you say Hilsner caused you harm
5 that were not the subject of a vote?
6 A Yes.
7 Q Okay. Well, which one?
8 A I don't have the list.
9 Q I'll try to remember to ask you that
10 question as we go through. I think that's a fairer
11 way to do it than try to get you to recall that.
12 Let's go to AMI 22, please.
13 Section 1.3, Action Without Meetings. Let
14 me represent to you, sir, I think this paragraph
15 means that the directors and shareholders can act
16 without having to call a formal meeting.
17 Do you understand that to be what that
18 paragraph says?
19 A I don't know.
20 Q Take a minute.
21 A Okay.
22 Q Do you recall my question, sir?
23 A Say it again?
24 Q Do you understand that this paragraph that
25 you just read to yourself, 1.13 Action Without

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1 Meetings, that the shareholders don't have to have a
 2 meeting; that if they can come to agreement, they can
 3 do what they want?
 4 A Yes.
 5 Q Okay. And that any decision made can be
 6 made by the majority; is that right?
 7 A I'm not sure of that question.
 8 Q Okay. Do you see anything in 1.13 that
 9 requires anything other than a majority?
 10 A No.
 11 Q Let's go to page 25, please, sir, AMI 0025.
 12 Let me direct your attention to Section
 13 2.12, Board of Directors Decisions. Do you see that,
 14 sir?
 15 A Uh-huh.
 16 Q The affirmative vote of a majority of the
 17 directors present at a meeting at which a quorum is
 18 present is the act of the board of directors.
 19 Did I read it correctly?
 20 A Yes.
 21 Q You understood that the majority rule was
 22 the rule for shareholders? Right?
 23 A Yes.
 24 Q The majority rule is the rule for the
 25 directors; right?

55

1 A When they fired me.
 2 Q So at that point in time you were removed
 3 as a director?
 4 A I believe so.
 5 Q Did they tell you you were removed as a
 6 director?
 7 A I don't know the exact circumstances.
 8 Q Okay. And your testimony is that that
 9 occurred in December of 1998?
 10 A I believe it's on about that time.
 11 Q Okay. Do you need to look at one of the
 12 sheets that you have out in front of you?
 13 A No.
 14 Q Okay. So you ceased to be a director in
 15 1998?
 16 A I don't know the exact date.
 17 Q When you were fired you ceased to be a
 18 director?
 19 A I don't know that it was at the same time.
 20 Q Okay. Do you recall a time when you were
 21 not a director?
 22 A After I was fired.
 23 Q But you can't tell me --
 24 A No.
 25 Q Let me see if I understand. It occurred

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1 A Yes.
 2 Q Are you okay?
 3 A Uh-huh.
 4 Q Okay. Let's go to the next page,
 5 page 0026.
 6 Let me direct your attention to Section
 7 2.15, Mr. Carstarphen. Let me read the first two --
 8 well, let me read it to you: Except as otherwise
 9 restricted in the laws of the State of Nevada or the
 10 Articles of Incorporation, the board of directors has
 11 full control over the affairs of the corporation.
 12 Did I read that sentence correctly?
 13 A Yes.
 14 Q So as a shareholder do you understand that
 15 you're turning control of the company over to the
 16 directors?
 17 A Yes.
 18 Q Now you have not been a director the whole
 19 time that the company has been in existence; is that
 20 right?
 21 A No.
 22 Q When did you begin being a director?
 23 A On the formation.
 24 Q When did you stop being a director for the
 25 first time?

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1 simultaneously?
 2 A I don't know.
 3 Q So sometime after you were fired, you
 4 ceased to be a director?
 5 A Yes.
 6 Q But you don't know when?
 7 A I don't know when.
 8 Q Okay. When did you become a director
 9 again?
 10 A I don't know. After I was fired I
 11 subsequently went back to work for the company
 12 because it had problems with the accounts receivable.
 13 Q Okay.
 14 A And then I would have to look at Exhibit
 15 Number 58 to give you the next date.
 16 Then again in November of '99 I was fired
 17 again.
 18 Q So you were fired for the first time in
 19 December of '98, and then fired again in November of
 20 '99?
 21 A Correct.
 22 Q Okay. And what document are you reading
 23 from?
 24 A 58.
 25 Q Thank you.

57

1 Were you a director from the time that you
2 were fired the first time until you were fired the
3 second time?
4 A I don't remember.
5 Q Were you given any cause for either
6 termination?
7 A No.
8 Q Both of them were just a complete mystery
9 to you?
10 A Yes.
11 Q What was the trouble that American
12 Medflight was having with its accounts receivable
13 that they required your return to the company?
14 A They were getting very large.
15 Q Okay. And what did you do -- or did you do
16 anything to remedy that circumstance?
17 A Yes.
18 Q What did you do?
19 A We brought the billing back in-house. We
20 had it previously subcontracted out.
21 Q Was that something that was done while you
22 were there before you were fired the first time?
23 A We had it contracted out in '98.
24 Q Before you were terminated?
25 A Yes.

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1 Q And who was it contracted with, if you
2 recall?
3 A Oh, God.
4 MR. HAMILTON: Yes?
5 THE WITNESS: Upper management, I believe.
6 BY MR. HILL:
7 Q The name of the company was Upper
8 Management?
9 A No. I don't know.
10 Q If it comes to you, stop me and tell me.
11 Did you disagree with the decision to have
12 the billing go outside?
13 A At the time, no.
14 Q Was it a decision that everybody agreed on?
15 A I believe so.
16 Q Okay. Was there a --
17 A Let me clarify that.
18 Q Sure.
19 A We didn't have the knowledge in-house to do
20 the billing, the medical billing, and so we
21 subcontracted that out.
22 Q Okay. And you then came back on board and
23 brought the billing back in-house?
24 A Yes.
25 Q And that was something I gathered that you

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1 stewarded?
2 A Yes.
3 Q Okay. All right. Do you recall whether or
4 not you were a director in the year 2000?
5 A I don't recall.
6 Q You recall when you filed the first
7 lawsuit. 2003, March, I believe?
8 A Uh-huh.
9 Q Were you a director at that time?
10 A I don't believe so.
11 Q Okay. When do you recall becoming a
12 director again?
13 A It's only just been recently within the
14 last year or so.
15 Q Okay. We'll probably look at some of those
16 documents in a little while.
17 Look at page AMI 0031, please.
18 Mr. Carstarphen, have you read these bylaws
19 in the last year?
20 A No.
21 Q When was the last time you recall having
22 read these?
23 A I don't think I've read them from cover to
24 cover in years. But I have read parts of it.
25 Q Do you recall having read this part we see

60

1 here at the bottom of page AMI 0031, Indemnification,
2 Article VII? Do you recall having read this before?
3 A No.
4 Q Do you think as a director you should know
5 what that says?
6 A I know what it says.
7 Q What does it say?
8 A It's an indemnification of the directors.
9 Q What does it mean?
10 A It means that --
11 Q To you.
12 A -- in any litigation they're to be
13 indemnified.
14 Q Okay. And you understand the corporation
15 is indemnifying Milsner in this case.
16 A Yes.
17 Q Let's go to page 033.
18 Let me read the first sentence of paragraph
19 7.02, Amendment, to you, sir: The provisions of this
20 article relating to indemnification shall constitute
21 a contract between the corporation and each of its
22 directors and officers which may be modified as to
23 any director or officer only with that person's
24 consent or as specifically provided in this section.
25 Did I read that first sentence correctly?

Deposition of John Carstarphen, Friday, April 23, 2010

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1 A Yes.
 2 Q Had you ever read that before?
 3 A I'm sure I have.
 4 Q We talked earlier, but I just want to
 5 confirm, you believe people should honor their
 6 contracts?
 7 A Yes.
 8 Q And that applies to corporations?
 9 A Yes.
 10 Q And then the second sentence says:
 11 Notwithstanding any other provision of these bylaws
 12 relating to their amendment generally, any repeal or
 13 amendment of this article which is adverse to any
 14 director or officer shall apply to such director or
 15 officer only on a prospective basis and shall not
 16 limit the rights of an indemnitee to indemnification
 17 with respect to any act or failure to act occurring
 18 prior to the time of such repeal or amendment.
 19 Did I read that sentence correctly,
 20 Mr. Carstarphen?
 21 A I believe so.
 22 Q Thank you. There are some big words in
 23 there. Let's talk about some of those for just a
 24 moment.
 25 "Prospective." What does that word mean to

63

1 Do you have any reason why the corporation
 2 should not continue to indemnify Mr. Hilsner in this
 3 case, sir?
 4 A Yes.
 5 Q Why?
 6 A I believe that the corporation is
 7 indemnifying Mr. Hilsner but not me.
 8 Q Okay. Any other reasons?
 9 Any other reason you can think of, sir?
 10 A Not offhand.
 11 Q Okay. Have you asked the company to
 12 provide you with indemnification?
 13 A Yes.
 14 Q And when did you do that?
 15 A I'm not sure of when, but it's probably at
 16 least a couple years ago.
 17 Q What did you do or not do that you think
 18 the company should indemnify you for?
 19 Do you understand the question?
 20 A No.
 21 Q Okay. You think you should be indemnified;
 22 right?
 23 A Yes.
 24 Q Why?
 25 A Because I'm a director.

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1 you, sir?
 2 A I'm not quite sure.
 3 Q Okay. Do you think it means that only for
 4 things that occur after -- do you think this sentence
 5 says that the corporation can only amend the
 6 indemnification provisions to apply to things that
 7 occur after the date of the amendment?
 8 A I believe so.
 9 Q Okay. Has this part of these bylaws been
 10 amended, do you know?
 11 A I don't know.
 12 Q Have you asked that it be amended?
 13 A No.
 14 Q Have you brought the matter up at a board
 15 of directors meeting, the amendment?
 16 A I don't believe so.
 17 Q Okay. Let's go to the last page. Section
 18 9.0 - excuse me - 9.01. That deals with amendment of
 19 the articles.
 20 Have the bylaws at all been amended? I
 21 think you told me before the name has been changed on
 22 the document.
 23 A Yes.
 24 Q Okay. Well, we'll go through some
 25 amendments later.

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1 Q Okay. And what act did you do as a
 2 director that you think entitled you to
 3 indemnification?
 4 A I'm not with you.
 5 Q Why should the company indemnify you, sir?
 6 A Because I was a director.
 7 Q What did you do that triggered your right
 8 to be indemnified? Do you know?
 9 A The litigation that was filed against me.
 10 Q Okay. And what do you understand are the
 11 complaints against you?
 12 A I don't know.
 13 Q Have you read the counterclaim against you?
 14 A Yes.
 15 Q Did you understand it? Do you think you
 16 understand it?
 17 A Not really.
 18 Q Okay.
 19 MR. HILL: Why don't we take a break, and
 20 then go until noon.
 21 (At 11:16 a.m. a recess was taken.)
 22 -000-
 23
 24
 25

Deposition of John Carstarphen, Friday, April 23, 2010

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RENO, NEVADA
FRIDAY, APRIL 23, 2010
11:30 A.M.
-000-
EXAMINATION
(Resumed)

BY MR. HILL:

Q Mr. Carstarphen, would it be fair to say that since 19 -- you told me that you formed the opinion that Milsner was a dishonest person in 1998. Do you recall telling me that?

A Yes.

Q Okay. Would it be fair to say that ever since that time you've not trusted him?

A Yes.

(A copy of a document entitled First Amended Complaint for Breach of Fiduciary Duties and Self Dealing was marked Exhibit 60 for identification.)

BY MR. HILL:

Q Mr. Carstarphen, I've handed you what we have marked for your deposition as Exhibit 60. I will represent to you, sir, that this is a document that your attorneys filed on your behalf in this case on January 29, 2008.

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A Yes.

Q Not to the company. Right?

A I believe so.

Q Okay. Were you a director when this lawsuit was filed?

A What was the day?

Q Yours got cut off at the top. Let me show you. This is the way the Feds do it. Well, the lawsuit was filed in November of 2007.

You weren't a director then, were you?

A I don't know.

Q You don't recall?

A I don't recall.

Q Okay. Let's talk about -- well, you told me earlier that the bylaws -- and I think that's the term you used -- had been amended to address, I think you said self-dealing. Do you recall telling me that?

A No.

Q You don't recall telling me earlier today that the bylaws had been amended so that there would be no self-dealing, and you told me about your company and about RFS?

A Yes.

Q Okay. Do you recall that testimony now?

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Have you seen this document before today?

A Probably.

Q Okay. Do you recall the first time you saw it?

A No.

Q Do you recall the last time you saw it?

A No.

Q But you do recall having seen it at some point in time, some place, some where?

A I believe I have seen it.

Q Okay. Mr. Carstarphen, the lawsuit that you have brought, you seek to have money paid to you; is that right?

A I don't know what this says.

Q Well, what do you want the judge to do? You want him to give you money, don't you?

A Yes.

Q And you want him to give --

A Reverse what Milsner did to devalue my stock.

Q You want the judge to order Milsner to pay you money; right?

A Yes.

Q Okay. And that's money that would go to you, John Carstarphen.

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A Yes.

Q Okay. Good.

Let's look at Exhibit 1 in that binder, Mr. Carstarphen.

These are the minutes of the third meeting of the board of directors of American Medflight, Inc. Is that correct, Mr. Carstarphen?

A Uh-huh.

Q Yes?

A Yes.

Q Thank you, sir.

And the meeting was held on February 9, 1995; is that correct?

A Yes.

Q Is this the document to which you referred earlier, sir, that amended the bylaws to address what you called the self-dealing issue?

Take a minute and look at it.

A I don't believe so.

Q Well, you're on page ANC 0043; is that right?

A Yes.

Q Let's look at ANC 0044.

Take a moment and read that first indented paragraph to yourself, Mr. Carstarphen.

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1 A Yes.

2 Q Okay. Is this the document that you relied

3 on when you told me earlier about steps being taken

4 to stop the self-dealing or prevent self-dealing?

5 A There's two parts to that.

6 Q Okay.

7 A There is this part, and then I believe in

8 2008 it was repealed.

9 Q Okay. My question to you, Mr. Carstarphen,

10 let me put it this way, do you believe that you

11 personally have the right to veto whether or not

12 American Medflight does business with Reno Flying

13 Service?

14 A I don't understand the question.

15 Q Do you, John Carstarphen, have the right to

16 say that American Medflight will not do business with

17 Reno Flying Service without your prior approval?

18 A That's what this says.

19 Q You believe that what I just said is the

20 right that you have, is that correct, that you have

21 the -- let me start over.

22 Do you believe --

23 A A clarification is as a stockholder, or a

24 board of director, or as an officer?

25 Q You, do you, John Carstarphen, without -

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1 A That doesn't mean they're not there.

2 Q Do you know of any payments by American

3 Medflight to R.L. Hilsner, Inc. that were signed by

4 Mr. Hilsner?

5 A I don't know of any.

6 Q Have you made any inquiry to find out if

7 there were?

8 A No.

9 Q If there are no checks drawn on American

10 Medflight payable to Reno Flying Service signed by

11 Richard Hilsner, has that paragraph been complied

12 with?

13 A Jack Dawson has written checks to Reno

14 Flying Service and he was an owner.

15 Q Can you answer my question, sir?

16 MR. RUSSO: He just did.

17 THE WITNESS: I think I just did.

18 BY MR. HILL:

19 Q The answer is no, because Dawson was an

20 owner of Reno Flying Service?

21 A Correct.

22 Q And you told me that that came to an end in

23 the fall of 1998?

24 A Yes, he sold his stock in '98.

25 Q All right. So do I understand you to be

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1 we'll go through all of those - do you,

2 John Carstarphen, believe that you, in any capacity

3 whatsoever, have the right to prevent Reno Flying

4 Service and American Medflight from doing business

5 together?

6 A No.

7 Q What do you understand that paragraph to

8 say, sir?

9 A I understand this paragraph to say that any

10 contractual agreements, payments, shall be signed by

11 a disinterested party --

12 Q Okay. And do you --

13 A -- to the other company.

14 Q Do you contend that that provision has been

15 breached?

16 A Yes, I do.

17 Q When was it breached?

18 A Almost immediately.

19 Q Are you aware, sir, of any checks payable

20 from American Medflight to Reno Flying Service that

21 were signed by Richard Hilsner?

22 A I don't know.

23 Q You know of none, do you?

24 A I don't know of any.

25 Q Thank you.

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1 saying, sir, that you, John Carstarphen, have to sign

2 all those checks?

3 A That's what this says.

4 Q You understand it to say that?

5 A That's what I understand it to say.

6 Q Okay. Without regard for whether you're an

7 officer of the company?

8 A It doesn't necessarily mean that I have to

9 sign it; it has to be signed by a disinterested

10 party.

11 Q Did Dawson become disinterested in Reno

12 Flying Service when he sold his stock, sir?

13 A He didn't sell all of his stock. He still

14 had some.

15 Q Do you believe that Mr. Dawson is still an

16 owner of Reno Flying Service as you sit here today?

17 A No, he's not.

18 Q Has Mr. Dawson been an owner of Reno Flying

19 Service since 2004, sir? Do you know?

20 A I don't know.

21 MR. RUSSO: You're going to have to define

22 "disinterested." If he's president of the company is

23 he disinterested?

24 MR. HILL: I don't know.

25 MR. RUSSO: I mean president of the --

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1 BY MR. HILL:

2 Q Do you believe that it's inappropriate for
3 Mr. Dawson to sign checks paying Reno Flying Service,
4 sir?

5 A I don't know that.

6 Q Do you believe it is inappropriate --

7 A I don't know what his position is with Reno
8 Flying Service.

9 Q Do you contend in this lawsuit, sir, that
10 Mr. Dawson signing checks payable from American
11 Medflight to Reno Flying Service violates the
12 provision that we see here on page AMC 0044?

13 A When he is an owner of Reno Flying Service,
14 I do believe that this violates this provision.

15 Q And if Dawson is not an owner, from that
16 point forward is it okay for him to sign those
17 checks?

18 A If he's an officer, he's still an
19 interested party.

20 Q So the answer is if he continues as an
21 officer at Reno Flying Service then it's not okay for
22 him to sign those checks.

23 A According to this provision.

24 Q Okay. So you personally, John Carstarphen,
25 would have to come in and sign all those checks?

75

1 Constructors, Inc., Professional Air Charter, Reno
2 Flying Service, Inc., and Richard L. Milsner, Inc.,
3 including future interests of the directors, shall be
4 approved by the board of directors, and any
5 contracts, agreements or financial payments in any
6 amount shall be signed by the president and a
7 disinterested party to the contractual agreement or
8 financial payment.

9 Did I read that correctly, sir?

10 A I believe so.

11 Q Okay. Are you aware, has the board of
12 directors -- let me back up.

13 You've been provided with financial
14 information in the first case and this case, have you
15 not, sir?

16 A Yes.

17 Q And do you believe, do you contend,
18 Mr. Carstarphen, that there are any transactions
19 between American Medflight and Reno Flying Service
20 that are not accurately reflected on the books and
21 records of the company?

22 A I don't believe so.

23 Q Let me put it in the vernacular. Do you
24 think the books at AMF are cooked?

25 A No.

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1 A Not me personally, a disinterested party,
2 which could be like Will Geyer.

3 Q Okay. But you've indicated to me that you
4 believe this has been ignored?

5 A It's been ignored since the inception of
6 this in 1995.

7 Q When did you first find out that that
8 provision was being ignored, sir?

9 A Almost immediately.

10 Q Okay. So this was adopted in February of
11 1995. Is it your testimony, sir, that by June of
12 1995 you knew that it was being dishonored?

13 A Yes.

14 Q Disobeyed?

15 A Yes.

16 Q And did you know from that day forward that
17 it had been disobeyed?

18 A Yes.

19 Q Do you know, has the board of directors --
20 well, let me back up.

21 Do you contend that that provision that we
22 talked about -- and let's put it on the record here
23 just so we're all clear. It says: Now, therefore,
24 be it resolved that any business, contractual or
25 financial dealings with Olympian General

76

1 Q Okay. They're accurate?

2 Have you ever found any inaccuracies?

3 A All the time.

4 Q And have they been corrected?

5 A Yes.

6 Q Did the inaccuracies include payments of
7 money to Reno Flying Service?

8 A I'm sure it did.

9 Q Tell me one that you found, sir.

10 A I don't know.

11 Q You can't identify one as you sit here
12 today?

13 A No. Once you find something that's wrong,
14 you correct it, fix it.

15 Q The prohibition now that we talked about on
16 AMC 0044, it applies to Olympian General
17 Constructors, Inc.

18 A Yes.

19 Q When did that -- is that still in business?

20 A No.

21 Q When did it cease to be in business?

22 A I don't know.

23 Q Was it in business at the time this was
24 prepared?

25 A No.

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1 Q Professional Air Charter?
 2 A Yes.
 3 Q Was that in business then?
 4 A I believe so.
 5 Q And that was your business?
 6 A Yes.
 7 Q Okay. Who prepared this document that we
 8 see here, AMC 0043, 44, 45, and 46? You did, didn't
 9 you?
 10 A I did.
 11 Q Okay. And it was signed as presented by
 12 you; is that right? Were there any changes made?
 13 A I don't believe there was any changes, but
 14 it's too far ago that I don't remember. I don't
 15 believe there was any changes.
 16 Q Fair enough, sir. Thank you.
 17 The provision that I read to you, did I
 18 read the whole thing?
 19 A No.
 20 Q Do you want to go back onto the other page?
 21 A You need to read the first part.
 22 Q Starting at: Whereas, John R. Carstarphen
 23 owns the majority of the stock --
 24 A Yes.
 25 Q -- of Olympian General Constructors, Inc.

79

1 A A director's resolution?
 2 Q Yes.
 3 A What is that?
 4 Q Look at the first page of Exhibit 1, sir.
 5 A Okay.
 6 Q Minutes of third meeting, the board of
 7 directors of American Medflight, Inc. And then it
 8 goes on and it says: Now, therefore, be it resolved.
 9 A Okay.
 10 Q Do you understand that to be a resolution?
 11 A Yes.
 12 Q Can the board of directors change those, or
 13 is the board of directors forever locked in?
 14 A No. They can change it.
 15 Q Okay. Are you aware -- well, let me back
 16 up.
 17 You've told me that throughout the entire
 18 period of time you've known that this provision has
 19 not been honored. Yes?
 20 A 1995, to I believe 2000.
 21 Q And will you agree with me, sir, that the
 22 directors knew that?
 23 A Did the directors know that?
 24 Q Yes.
 25 A I would say yes.

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1 and Professional Air Charter, and Richard L. Milsner
 2 and John A. Dawson owns the majority of the stock of
 3 Reno Flying Service, Inc., and Richard L. Milsner
 4 owns the majority of the stock of Richard L. Milsner,
 5 Inc., including future interests of the director.
 6 Upon a motion duly made, seconded, and unanimously
 7 carried now, therefore, the part that I read earlier?
 8 A Correct.
 9 Q Is it your testimony, sir, that you believe
 10 this changed the bylaws?
 11 A Changed the bylaws?
 12 Q Yes.
 13 A I don't know that.
 14 Q Do you believe that that provision altered
 15 the bylaws that we talked about earlier?
 16 A I don't know.
 17 Q Was there any word in there that -- did you
 18 hear the word "bylaw" in anything that I have read?
 19 A I don't believe so.
 20 Q Does the word "bylaw" even appear in this
 21 document, sir, do you know?
 22 A I don't know.
 23 Q Now can the board of directors change a
 24 director's resolution under the bylaws, sir? Do you
 25 know?

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1 Q Does the prohibition that we're talking
 2 about -- well, okay.
 3 In your complaint, let's turn to
 4 Exhibit 60, paragraph 8 on page 3, please,
 5 Mr. Carstarphen.
 6 Let me know when you're there, sir.
 7 A Okay.
 8 Q Let me read it to you: Plaintiff is
 9 informed and believes, and based thereon alleges,
 10 that defendants have engaged and continued to engage
 11 in an intentional, systematic, self-dealing plan to
 12 divert funds and business opportunities of American
 13 Medflight to Reno Flying Services, which was owned
 14 and operated solely by defendants period.
 15 Did I read that sentence correctly, sir?
 16 A Yes.
 17 Q Who are the defendants? Who did that, sir?
 18 A Mr. Milsner.
 19 Q Just Mr. Milsner, or --
 20 A And Jack Dawson when he was owner of Reno
 21 Flying Service.
 22 Q Okay. Anybody else?
 23 A I don't believe so.
 24 Q Do I understand you to take the position --
 25 and I'll ask Mr. Russo if he disagrees -- that once

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1 Dawson sold out of Reno Flying Service, he ceased to
2 be somebody that you're talking about here and that
3 your lawyers are talking about here?

4 MR. RUSSO: If you're asking me to answer
5 that, it's absolutely not; he's still president of
6 Reno Flying Service.

7 BY MR. HILL:

8 Q Okay. So do you adopt Mr. Russo's answer?

9 A I believe so.

10 Q Okay. Now what business opportunities did
11 Dawson divert from American Medflight to Reno Flying
12 Service?

13 A Maintenance, aircraft rental --

14 Q Do you want to use any of your sheets?

15 A -- funds from the line of credit.

16 Q Okay.

17 A 140,000.

18 Q Go ahead.

19 You've got Exhibit 56 now?

20 A Yes.

21 Q Okay. I just wanted the record to be
22 clear.

23 A Consulting fees of 5,000 a month from 1998
24 to 2008.

25 Q Okay. Let me help. Do you have a problem

83

1 Q Is that still your testimony?

2 A Yes.

3 Q Now the maintenance, do I understand
4 correctly that you do not believe that American
5 Medflight should have maintenance on its aircraft
6 performed at Reno Flying Service?

7 A Can we back up to the line of credit one?

8 Q We can back up, sir.

9 A When you say "harm," they took \$140,000
10 that I was personally guaranteeing. I think there is
11 harm there.

12 Q Do you stand by the answers you previously
13 gave in deposition testimony, sir?

14 A Yes.

15 Q In that testimony my recollection - and we
16 can get the deposition out if you want - you said
17 that you had not had to pay anybody any money
18 anywhere in the world as a result of that guarantee.
19 Is that still the case?

20 A That's still the case.

21 Q You told me that nobody had increased any
22 cost of credit to you anywhere in the world as a
23 result of that guarantee. Is that still the case?

24 A That's the case.

25 Q And you've told me in the past that you've

82

1 with the leasing of the airplanes by --

2 A Yes.

3 Q -- by AMF from Reno Flying Service?

4 A Yes.

5 Q Anything else that are business
6 opportunities that American Medflight diverted to
7 Reno Flying Service?

8 A That's the main ones.

9 Q Are there any others?

10 A I don't know.

11 Q Okay. Who would know that, sir?

12 A Probably Richard Hilsner.

13 Q Okay. Reno Flying Service was in business
14 when American Medflight was formed; was it not?

15 A Yes.

16 Q What business was Reno Flying Service in
17 when American Medflight was formed?

18 A It had aircraft charter, aircraft
19 maintenance, and flight instruction.

20 Q Now the line of credit, let's talk about
21 that one. When I took your deposition at one point
22 you told me that you had not suffered so much as a
23 nickel's worth of harm. Do you recall that
24 testimony, Mr. Carstarphen?

25 A Yes.

84

1 seen documentation that Reno Flying Service paid all
2 of the money that it owed on that line of credit.

3 A I don't know that, and I don't know that
4 they paid the interest.

5 Q Okay. Do you have any basis to believe
6 that they did not?

7 A I have no idea how to do it because I was
8 not shown any records. I was denied access to the
9 records.

10 Q Do I understand your testimony to be, sir,
11 that from the time you were terminated in 1999 you
12 were denied -- well, were you denied access to
13 financial information from 1998 forward?

14 A Yes.

15 Q And there came a point in time when you
16 were no longer provided financial information; is
17 that right?

18 A 1998.

19 Q I just asked and you said 19 -- okay. Let
20 me back up.

21 There came a time when AMF stopped
22 providing you with financial information.

23 A Yes.

24 Q Was that when you were fired the first time
25 or the second time?

85

1 A The first time and the second time.
 2 Q So you had no information, no financial
 3 information from the time you were fired the first
 4 time until you were rehired; is that right?
 5 A Yes.
 6 Q Did you have access to financial
 7 information from that point until you were fired
 8 again?
 9 A I had limited access.
 10 Q Okay. And your testimony is that you were
 11 cut off and provided no financial information from
 12 American Medflight from December of -- November or
 13 December of 1999 when you were fired forward; is that
 14 right?
 15 A No.
 16 Q Okay. Tell me.
 17 A I was provided K-1 information for tax
 18 purposes, and I'm not sure if I saw complete tax
 19 returns, but at least I know I for sure had to have
 20 the K-1 to file my taxes.
 21 Q Okay.
 22 A Okay?
 23 Q Was that all you were given?
 24 A For many years.
 25 Q Okay. And --

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1 Q Have you asked her to send them to you?
 2 A Any time I call her and ask for something,
 3 I have been given the information currently.
 4 Q So you would concede that it's probably an
 5 oversight as opposed to somebody trying to not --
 6 somebody trying to deny you information?
 7 A I would say so.
 8 Q Okay. So your testimony then is you got no
 9 Monday reports from the time you were fired in 1999
 10 up until two years ago --
 11 A Yes.
 12 Q -- did I understand correctly? Okay.
 13 Good.
 14 All right. Now the maintenance, the last
 15 time we talked in one of these depositions you told
 16 me that you believed that the charges that American
 17 Medflight paid at Reno Flying Service were comparable
 18 to those that American Medflight would pay if it took
 19 its business elsewhere.
 20 Is that still your testimony?
 21 A I would believe so, but I'm not sure.
 22 Q Have you taken, have you taken any steps to
 23 ascertain if the charges by Reno Flying Service to
 24 American Medflight are reasonable?
 25 A Only in a limited way.

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1 A And then later on Jack was providing me
 2 with certain limited amounts, and as now I am
 3 provided a lot more information.
 4 Q What limited amounts were you getting, sir?
 5 A I don't know.
 6 Q Okay.
 7 A I don't really know.
 8 Q What are you getting now that you didn't
 9 get before?
 10 A I'm getting now anything I ask for.
 11 Q Have you been given Monday reports
 12 throughout the entire period of time, sir?
 13 A No.
 14 Q Did the Monday reports stop in 1999?
 15 A Yes.
 16 Q And have they resumed?
 17 A They resumed about two years ago --
 18 Q Okay.
 19 A -- and then stopped again.
 20 Q All right. Is that a function of
 21 information being withheld, or a function of the
 22 Monday reports not being done? Do you know?
 23 A I don't know if it's being withheld.
 24 I think Linda just forgot to start sending them to
 25 me.

88

1 Q Tell me what you've done, sir.
 2 A I've looked at some of the invoices that
 3 were given to Jim Proctor to prepare his report.
 4 Q Okay. What else?
 5 A I would say that's about it.
 6 Q Okay. And have you found any charges by
 7 Reno Flying Service that were billed to American
 8 Medflight that were not reasonable?
 9 A No.
 10 Q And do you concede that those charges were
 11 comparable to what American Medflight would pay
 12 elsewhere?
 13 A I don't know that, but I would assume that.
 14 Q Okay. You have made no investigation of
 15 that fact, have you?
 16 A No.
 17 Q Do you know anybody who has?
 18 A I believe Jim Proctor, the consultant that
 19 we hired, has done that.
 20 Q Okay. So your understanding then is that
 21 Mr. Proctor has made an inquiry --
 22 A Yes.
 23 Q -- as to the reasonableness of those
 24 charges?
 25 A Uh-huh. Yes.

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1 Q And has he made an inquiry --
 2 A Yes.
 3 Q -- to determine if they are comparable to
 4 other providers of similar goods and services?
 5 A I don't know.
 6 Q What has Mr. Proctor told you that he did?
 7 A All I've done is read his report.
 8 Q So Mr. Proctor has not told you anything
 9 about an inquiry pertaining to the reasonableness or
 10 the comparability of the charges, other than what's
 11 in his written report. Is that your testimony, sir?
 12 A He may have told me something about
 13 Magginietti --
 14 Q Okay.
 15 A -- is that right?
 16 Q I'll get you a spelling. That's a tough
 17 one.
 18 What did he tell you?
 19 A Just in passing.
 20 Q What did he tell you?
 21 A I think he said that he talked to them on
 22 the telephone.
 23 Q Okay.
 24 A I don't know. I don't remember what he
 25 said.

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1 A No.
 2 Q Did that business plan include that AMF,
 3 what we know today as AMF, was going to do its own
 4 maintenance?
 5 A I don't recall.
 6 Q Fair enough, sir.
 7 Have you ever made a pitch to the board of
 8 directors to do the maintenance --
 9 A Yes.
 10 Q -- in-house?
 11 A Back in 1995.
 12 Q Since that time have you?
 13 A Yes.
 14 Q When?
 15 A I don't know that I formally brought it up
 16 at a board of directors meeting. It was mostly a
 17 discussion between Jack, me, and Rich.
 18 Q In the prior testimony, sir, you told me
 19 that you never made such a proposal after 1999. Do
 20 you recall today having made such a proposal at any
 21 time after 1999?
 22 A That American Medflight does it in-house?
 23 Q Yes, sir.
 24 A I don't know.
 25 Q Have you prepared a business model for the

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1 Q When did that conversation take place?
 2 A Six months or more.
 3 Q Mr. Magginietti issued a report in December.
 4 He's one of our experts. Have you read his report?
 5 A No.
 6 Q You haven't?
 7 A No.
 8 Q Do you know it's out there?
 9 A Yes.
 10 Q Okay. You contend -- well, let me back up.
 11 Do you contend that American Medflight
 12 should take its business elsewhere from Reno Flying
 13 Service?
 14 A No.
 15 Q Okay. So you are content with American
 16 Medflight doing business at Reno Flying Service?
 17 A No.
 18 Q Okay. What's the beef?
 19 A I think it should be done in-house.
 20 Q Okay. And there was a business model
 21 prepared for American Medflight, Arrow Medicare, Inc.
 22 at the time. Do you recall telling me that in the
 23 prior deposition?
 24 A Yes.
 25 Q Have you ever found that business plan?

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1 creation of an in-house maintenance department at
 2 American Medflight?
 3 A I don't believe so.
 4 Q Have you ever done any cost analyses?
 5 A No.
 6 Q Well, tell me what steps -- what
 7 information have you presented to the board of
 8 directors to suggest that that would be an
 9 appropriate thing to do?
 10 A I did not make any formal thing to the
 11 board of directors; it was informal between Jack,
 12 Rich, and me.
 13 Q And this started in 1995, I think you said?
 14 A Yes.
 15 Q And it was rejected at that time?
 16 A Yes.
 17 Q And was it rejected in 1996?
 18 A I don't know.
 19 Q But it's been rejected every time you've
 20 brought it up?
 21 A Yes.
 22 Q Okay. Do you know how much it would cost?
 23 Do you know how much it would cost to open a
 24 maintenance facility at American Medflight?
 25 A Back in 1995?

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1 Q At any point in time, sir.
 2 A I have no detailed cost numbers.
 3 Q Ever?
 4 A What?
 5 Q Ever? At any point in time? Let me start
 6 my question over again.
 7 Can you tell us at any point in time have
 8 you ever had a cost estimate to what it would cost to
 9 open a maintenance facility at American Medflight?
 10 A Why would I have that when it's rejected
 11 every time I brought it up?
 12 Q So you don't have those numbers?
 13 A No.
 14 Q You never had those numbers?
 15 A I don't think so.
 16 Q Know anybody that does?
 17 A I'm sure Jack Dawson does.
 18 Q Okay. Anyone else?
 19 A Probably Rich Hilsner could have since he
 20 is an owner of Reno Flying Service.
 21 Q Okay. Anyone else?
 22 A I don't know.
 23 Q Now this maintenance facility, did you have
 24 any kind of business plan for it; or was it just:
 25 Gee, we ought to go start this?

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1 that to you?
 2 A He should pay it to me and the other
 3 stockholders of American Medflight.
 4 Q Okay. Why?
 5 A Because it's lost business opportunity that
 6 American Medflight could have done itself.
 7 Q Did American Medflight have the money to
 8 open a maintenance facility at any time, sir?
 9 A Yes.
 10 Q When?
 11 A In 1995.
 12 Q Okay. Do you have any records that show
 13 that it had the wherewithal to open its own
 14 maintenance facility in 1995?
 15 A It had the director of maintenance, it had
 16 the director of operations all in-house, already
 17 there.
 18 Q Do you have any documentation to show me or
 19 to show the Judge that American Medflight had the
 20 money to do that?
 21 A I have no documentation.
 22 Q Okay. Do you know anybody that does?
 23 A There's a possibility that they have
 24 records back to 1995. I don't know.
 25 Q Okay. But you don't know anybody that

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1 A Why would you do a business plan if it's
 2 rejected before you even get started?
 3 Q So you did not come to Hilsner or Dawson
 4 and say, here's what I think we ought to do; and
 5 these are what I think the numbers might be? Did you
 6 ever have that kind of conversation?
 7 A No.
 8 Q So it never got off beyond: I think we
 9 ought to open a maintenance facility for ourselves?
 10 A That's where it stopped.
 11 Q Okay. Now do I understand you to believe
 12 that the Judge should order Mr. Hilsner to pay you,
 13 John Carstarphen, all the money that American
 14 Medflight paid to Reno Flying Service for
 15 maintenance?
 16 A No.
 17 Q What do you think you're entitled to for
 18 compensation for not having the maintenance facility
 19 in-house at American Medflight?
 20 A The profit it made.
 21 Q Okay. Do you know how much that is?
 22 A No, I don't.
 23 Q And why do you believe that Reno Flying
 24 Service or Mr. Hilsner -- let me back up.
 25 Why do you believe Mr. Hilsner should pay

96

1 would know that answer to that question, do you?
 2 A No.
 3 Q Okay.
 4 A Other than Jack, Rich, and I know that it
 5 could.
 6 Q Okay. And if Hilsner disagrees with you,
 7 it's because he's lying?
 8 A People can disagree and not be lying.
 9 Q That is a possibility in your world?
 10 A Yes.
 11 Q Okay. Do you think that -- well, were you
 12 prepared to invest any money in the maintenance
 13 facility?
 14 A Yes.
 15 Q How much did you have to invest, sir?
 16 A I don't know at that time.
 17 Q When you made these -- you had these
 18 discussions, because they aren't really a proposal,
 19 were they?
 20 A It was just discussions.
 21 Q Did you ever say: I will contribute a
 22 particular amount?
 23 A Like I said, it never got that far.
 24 Q Okay. So the answer to the question is, is
 25 no, a specific dollar figure contribution was never

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1 discussed.

2 A It never got that far.

3 Q Okay. The aircraft rental,
4 Mr. Carstarphen, do you make the -- now do you in
5 your mind distinguish between rental and leasing, or
6 is that all under one umbrella for complaint
7 purposes?

8 A You could put it under one umbrella, but
9 it's the leasing.

10 Q Well, really a bottom line, don't you
11 contend that American Medflight should just simply
12 not be doing business with Reno Flying Service?
13 Isn't that what you really contend?

14 A No.

15 Q So it's okay for them to do business? In
16 your mind?

17 A Yes.

18 Q Now what's the problem with the aircraft
19 rental? We'll talk about leasing in a minute, but
20 let's talk about the rental, sir.

21 A Okay. You're making a distinction; you're
22 going to have to tell me what the distinction is.

23 Q Well, is there in your mind, sir, a
24 distinction between the rental of aircraft between
25 American Medflight and Reno Flying Service on one

99

1 Q Did you know about the transaction before
2 it occurred?

3 A What transaction is that?

4 Q The leasing of airplanes?

5 A I knew of no leasing --

6 Q Okay.

7 A -- prior to it occurring.

8 Q Well, when was the first time you heard
9 that American Medflight might have rented - or excuse
10 me - might have leased an airplane from Reno Flying
11 Service?

12 A I'm not sure I can answer that question
13 because we kind of used "lease" and "rent"
14 interchangeably.

15 Q You do?

16 A I do, and Jack does.

17 Q Okay. You believe leave that to be the
18 case.

19 A I don't know. In my mind they're being --
20 all I know is how it was done from 1995 until I was
21 terminated in 1998 and '99.

22 Q Okay.

23 A And in that period of time it was done as
24 rental on an as-needed basis.

25 Q Okay.

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1 hand, do you distinguish that from a lease of
2 aircraft?

3 A To me a lease means there is a contractual
4 obligation, where renting you're just doing it by the
5 hour.

6 Q Okay. If you lease it you're agreeing to
7 consume a certain amount; if you're renting, it's
8 when you need it.

9 A Yes.

10 Q Okay. Now let's talk about the leasing.
11 American Medflight leases, is it two airplanes from
12 Reno Flying Service, do you know?

13 A As far as I know there are no leases.

14 Q Were there --

15 A There may be some now, but when I was
16 there, there were no leases.

17 Q Do you recall a transaction in 2007
18 pursuant to which American Medflight leased one or
19 more airplanes from Reno Flying Service?

20 A I wasn't there in 2007, and had no access
21 to any books or records.

22 Q So my mentioning it to you now is the first
23 time you've heard of it?

24 A I've heard of it before, but I don't have
25 any knowledge of it.

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1 A There was no contractual agreement, or
2 price or anything.

3 Q Could you take Exhibit 60 out again,
4 Mr. Carstarphen, please. Turn to page 3, please,
5 sir.

6 May I direct your attention to paragraph 9,
7 Mr. Carstarphen. Let me read it to you: Plaintiff
8 is further informed and believes, and based thereon,
9 alleges, that defendants have routinely rejected
10 plaintiff's demand to purchase new aircraft for
11 American Medflight, even though such purchases would
12 clearly be in the best economic interest of American
13 Medflight, choosing instead to require American
14 Medflight to lease aircraft from Reno Flying Service,
15 thereby increasing Reno Flying Service's revenues to
16 the detriment of American Medflight.

17 Did I read that correctly?

18 A I believe so.

19 Q Did you see this document before it was
20 filed?

21 A Say again?

22 Q Did you read this before it was filed?

23 A I believe so.

24 Q Did you read that paragraph?

25 A I believe so.

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1 Q Do you know what that paragraph is talking
2 about?
3 MR. RUSSO: As the author of that paragraph
4 I can tell you I was using "lease" and "rent"
5 interchangeably.
6 BY MR. HILL:
7 Q Okay. Is that your understanding,
8 Mr. Carstarphen?
9 A Yes.
10 Q Okay. The planes that AMF rents from RFS
11 are Piper Cheyenne II?
12 A Correct.
13 Q And the lease goes both ways -- or the rent
14 goes both ways, doesn't it? American Medflight rents
15 a plane from Reno Flying Service, and sometimes Reno
16 Flying Service rents from American Medflight. Do you
17 know that to be the case?
18 A Yes.
19 Q Do they charge each other the same rate?
20 A I don't know that, but I believe so.
21 Q If they do charge each other the same rate,
22 is there anything unfair in that arrangement?
23 A Yes.
24 Q What's unfair to the company, sir?
25 A It's lopsided.

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1 Q Why?
2 A Because American Medflight rents aircraft
3 from Reno Flying Service more than it does the other
4 way around, to the amount of about three-quarters of
5 a million dollars a year.
6 Q On what do you base this statement that AMF
7 rents planes from RFS more than the other way around?
8 A From the financial statements.
9 Q Okay. Can you tell me which ones?
10 A All of them.
11 Q Okay. Do you know how the rental rates are
12 calculated?
13 A No.
14 Q As a director of the company do you think
15 that would be an important thing for you to know in
16 deciding policy of the company?
17 A No, I relied on Jack Dawson to do that, and
18 he does a very good job at it.
19 Q Do you think that Mr. Dawson is helping
20 Mr. Hilsner loot American Medflight?
21 A No.
22 Q You understand that Mr. Dawson has set
23 those rates for the rental?
24 A Yes.
25 Q Do you believe that he has done so

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1 appropriately?
2 A To the best of my knowledge.
3 Q Okay. Do you think that American Medflight
4 should just go -- should have gone and bought new
5 planes; is that right?
6 A No, they should have bought one new plane.
7 Q Fair enough. Fair enough.
8 When should they have done so? Can you
9 give me a year?
10 A I cannot give you a date.
11 Q Do you recall in 2000 -- the topic coming
12 up in 2007?
13 A I would say that that was in the right time
14 frame.
15 Q If I tell you that the directors -- because
16 you weren't a director then, and you weren't an
17 officer; were you?
18 A I don't believe so.
19 Q Okay. If I tell you that the directors
20 determined that there was a need for American
21 Medflight to have another plane at its disposal in
22 the first quarter 2007, would that strike you as a
23 reasonable thing for them to have concluded?
24 A I have no knowledge of that.
25 Q No knowledge one way or the other?

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1 A I have no knowledge of it.
2 Q It might have been reasonable; it might not
3 have been reasonable?
4 A I don't know that they proposed it or
5 not --
6 Q Okay.
7 A -- I was not privy to any of that
8 information.
9 Q Do you know what a hypothetical question
10 is, Mr. Carstarphen?
11 A What?
12 Q Do you know what a hypothetical question
13 is?
14 A Yes.
15 Q Hypothetically speaking, that's sort of
16 like for sake of discussion, for sake of argument,
17 for sake of argument, sir, assume that in the first
18 quarter of 2007 the board of directors of American
19 Medflight determined that there was a need for
20 American Medflight to have an additional aircraft.
21 Do you have any basis upon which to assert that that
22 decision was wrong?
23 A It was my opinion that before 2007 we
24 should have had another airplane.
25 Q Okay. So if no airplane had been acquired,

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1 then by 2007 there was clearly a need?
 2 A There was a need --
 3 Q Okay.
 4 A -- I believe before 2007.
 5 Q Okay. Now we talked about this line of
 6 credit a little while ago. Did American Medflight
 7 benefit from your having guaranteed that line of
 8 credit?
 9 A They wouldn't have got it without my
 10 guarantee.
 11 Q That's a different question, sir. Did they
 12 get a benefit from you -- well, let me state it like
 13 this.
 14 Do I understand you to say they got a
 15 benefit because they got it, and without your
 16 guarantee they wouldn't have gotten it.
 17 A That's correct.
 18 Q So there was a benefit from your guarantee?
 19 A Yes.
 20 Q Okay. Now that guarantee was terminated;
 21 was it not?
 22 A Repeat the question?
 23 Q The guarantee that you complained about in
 24 the first lawsuit, that guarantee was terminated,
 25 wasn't it?

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1 for six or seven years that are almost paid off to
 2 use money for Reno Flying Service.
 3 Q When did this conversation take place, sir,
 4 before the first lawsuit was filed, or after the
 5 first lawsuit was filed?
 6 A Before.
 7 Q Okay. And your response to Mr. Milsner's
 8 inquiry that you co-sign on a -- he asked you to
 9 co-sign.
 10 A Yes.
 11 Q You knew he was going to guarantee, didn't
 12 you?
 13 A Yes.
 14 Q And what was your response to Mr. Milsner
 15 when he asked you to guarantee an obligation of
 16 American Medflight? Your answer was no, wasn't it?
 17 A The answer was no because American
 18 Medflight did not need funds, and it was stupid to
 19 take airplanes that are almost paid off and refinance
 20 them for six or seven more years. And the reason for
 21 refinancing was, I believe, to divert the money to
 22 Reno Flying Service.
 23 Q Okay. But your answer was no.
 24 A My answer was no.
 25 Q Thank you.

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1 A My guarantee was terminated.
 2 Q Right. And do you recall when?
 3 A I don't know when, but it was after I
 4 discovered that they took \$140,000 to give to
 5 Rich Milsner from my line of credit.
 6 Q Had the line of credit been terminated
 7 before the lawsuit was filed, the first one?
 8 A I don't know what the date was.
 9 Q Since the termination of that guarantee,
 10 have you ever guaranteed any obligation of American
 11 Medflight to anybody or any company anywhere on this
 12 planet?
 13 A Since that termination?
 14 Q Yes, sir.
 15 A No.
 16 Q Have you been asked to guarantee any
 17 obligation of American Medflight?
 18 A Yes.
 19 Q Who made such a request of you, sir?
 20 A Mr. Milsner requested I guarantee the
 21 refinance of the two airplanes to get money for Reno
 22 Flying Service. The two airplanes, one of them had
 23 two more months' of payments to make, and the other
 24 one had, I think, a year and one month payment. And
 25 I thought it was very foolish to refinance airplanes

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1 Has anyone else ever asked you to guarantee
 2 any obligation of American Medflight, sir?
 3 A I don't believe so.
 4 Q Has Mr. Dawson ever made that request of
 5 you?
 6 A I believe Jack asked me at the time to do
 7 it along with Rich, but I'm not sure.
 8 Q When you say "at the time," you're talking
 9 about the one you've already told me about?
 10 A The refinance.
 11 Q Okay. So at this point I get the
 12 impression your recollection is a little fuzzy, but
 13 now you kind of think it may have been both Milsner
 14 and Dawson that asked you to co-sign the guarantee
 15 with Milsner?
 16 A It could be but, it was mainly Milsner.
 17 Q Okay. Okay. Dawson may have been
 18 involved?
 19 A May have; may not.
 20 Q Okay. Fair enough. What I want to make
 21 sure of, though, is, is that was before the first
 22 lawsuit was filed?
 23 A Yes.
 24 Q So the one, the only time that Jack Dawson
 25 has asked you to guarantee any obligation of American

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1 Medflight occurred before the first lawsuit was filed
 2 in 2003.
 3 A Like I said, I can't guarantee that he did,
 4 but he could have.
 5 Q Now you say he may have?
 6 A He may have.
 7 Q Okay. Do you have a recollection of when
 8 he may have, sir?
 9 A When they were doing the refinancing.
 10 Q The refinancing you've told me about?
 11 A Yes.
 12 Q And you told me that when Hilsner asked you
 13 it was before the 2003 lawsuit.
 14 A Yes.
 15 Q So the same event.
 16 A Same event.
 17 Q So the one, the only time that Mr. Dawson
 18 asked you to guarantee any obligation of American
 19 Medflight was before the first lawsuit was filed.
 20 A I can't guarantee that he asked me.
 21 Q Okay. How much money have you invested in
 22 American Medflight, sir?
 23 A 25,000.
 24 Q Okay. And you understand the distinction
 25 between debt and equity?

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1 experience, I invested three years working on setting
 2 up this company almost full-time with no pay.
 3 Q You were looking at 56, is that right? Do
 4 you want to look at one of the other ones, sir?
 5 A Yes, 57.
 6 Q Okay. What does it say on 57?
 7 A This is just notes that --
 8 Q Understood. You told me that earlier.
 9 A I signed on a million dollars' worth of
 10 notes and a line of credit.
 11 I invested my management experience over
 12 the years.
 13 I put in another \$35,000 worth of income
 14 tax that was not reimbursed by the company on profit;
 15 it had to come out of my own pocket.
 16 Q When was that, sir?
 17 A Oh, God. That was like about five years
 18 ago.
 19 Q So 2005?
 20 A I don't know on that.
 21 Q Okay.
 22 A I would have to go back to my income tax
 23 returns to find out.
 24 Q You did draw a salary while you were at
 25 American Medflight; did you not?

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1 A Yes.
 2 Q What's the difference? To you. What do
 3 you understand the difference to be?
 4 A Between debt and equity?
 5 Q Yes. Do you understand the question?
 6 A Uh-huh.
 7 Q Okay. What's the difference?
 8 A Equity is investment into the company, and
 9 debt is money owed to the company.
 10 Q Owed by the company --
 11 A Owed by the company.
 12 Q And your testimony is you had \$25,000 of
 13 equity?
 14 A No.
 15 Q How much equity did you have, sir?
 16 A 12,500.
 17 Q And the other twelve-five was debt.
 18 A Correct.
 19 Q And it's been paid back.
 20 A Correct.
 21 Q Okay. Other than that, and the guarantee,
 22 what other moneys or credit have you made available
 23 to American Medflight?
 24 A I've invested the fact that I was director
 25 of operations of a professional air charter,

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1 A Yes.
 2 Q When did you start drawing a salary?
 3 A I believe in '95 or '96.
 4 Q Right after the company opened?
 5 A The company opened in '93.
 6 Q Okay. So was the company conducting
 7 operations in 1993?
 8 A No.
 9 Q When did it start conducting operations?
 10 A In '95.
 11 Q I thought you told me earlier that you had
 12 a charter business that was active during this period
 13 of time. Did I misunderstand?
 14 A I don't know how active it was between '93
 15 and '95.
 16 Q And Olympian Constructors, had that been
 17 put down by this time?
 18 A Long before.
 19 MR. HILL: Off the record.
 20 At 12:31 p.m. the lunch recess was taken.)
 21 -000-
 22
 23
 24
 25

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RENO, NEVADA
FRIDAY, APRIL 23, 2010
1:20 P.M.

-000-

EXAMINATION

(Resumed)

BY MR. HILL:

Q Are you ready to go back on the record, sir?

A Yes.

Q Were there any answers that you gave me during our morning session that you would like to change, explain, or modify?

A No.

Q Can you tell me, please, sir, what exhibit are you looking at?

A AMI 0042.

MR. RUSSO: That's Exhibit Number 18.

MR. HILL: Thank you, sir.

BY MR. HILL:

Q Go ahead, Mr. Carstarphen. What did you want to change or modify?

A I just wanted to add to the fact that on the last paragraph on AMI 0042 it requires any checks to be signed by me that go to Reno Flying Service.

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Q Do you feel comfortable as you sit here today that the board of directors has known that throughout this period of time?

A Oh, yes.

Q Okay. And you as a member of the board of directors today are aware that American Medflight is doing business with Reno Flying Service?

A Yes, there is nothing wrong with doing business with Reno Flying Service.

Q Okay. Have you signed any checks payable to Reno Flying Service since you were terminated in 1999?

A No.

Q And we discussed before lunch that if Mr. Dawson is an officer of Reno Flying Service, that makes him an interested party, as you understand things. Isn't that right?

A Yes.

Q So are you aware of whether or not Mr. Dawson has signed any checks payable from American Medflight to Reno Flying Service?

A I'm not personally aware because I don't have any access to the financial records.

Q Let's assume that he is doing so. Does that violate the terms and conditions of what you've

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Q Okay. And does it provide -- well, what do you understand to be the appropriate remedy for violation of that or the other provision that we talked about? If your signature isn't on there, does AMF get the goods or services?

A I don't know what the remedy is.

Q Well, just a second.

AMF, hypothetically -- let's do a hypothetical, okay -- American Medflight has Reno Flying Service do \$10,000 worth of avionics work on one of its planes, and you aren't there to sign, you don't sign, it's more than \$2500.

Does American Medflight get that for free, or does it still have to pay? What's your opinion?

A I believe this was installed to provide checks and balances.

Q Okay.

A I don't know what you're talking about a remedy.

Q Did you have any understanding of what would happen if that wasn't complied with?

A No.

Q Okay.

A I assumed when it was written that it would be complied with, but it was not complied with.

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been talking about here?

A Not since 2008 when they were amended.

Q Okay. But up until the day before that it would be a violation?

A Yes.

Q Okay. But the board of directors has known about it the whole time.

A Meaning --

Q Whoever was on the board of directors knew that.

A I don't know that -- for sure Rich Hilsner knows; Jack Dawson knows; I know. Whether or not Bob Daoro, who was a board of director at one point knew, I do not know.

Q Has American Medflight ever offered to return any goods or services that were provided to it by Reno Flying Service at any time, do you know?

A Say that again now? Who is returning what?

Q AMF, has it ever returned or offered to return any goods or services that it received from Reno Flying Service?

A How is it going to return a service?

Q I don't know. Just a dumb question. Can you give me an answer?

A I can't give you an answer to a question I

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1 can't --
 2 Q I'm sorry, sir. Can you give me your
 3 answer again?
 4 A Repeat the question.
 5 Q Okay. Has AMF offered or returned any
 6 goods that it has ever acquired from Reno Flying
 7 Service?
 8 A What kind of goods?
 9 Q Anything, sir. Do you know?
 10 A I don't know.
 11 Q Okay. Why was Reno Flying Service renting
 12 airplanes from American Medflight?
 13 A When an airplane has to go in for scheduled
 14 maintenance, it could have been that they didn't have
 15 a serviceable aircraft to operate.
 16 Q Will you concede, sir, that all of the
 17 instances in which an aircraft was rented by American
 18 Medflight from Reno Flying Service, that it was
 19 actually used for an American Medflight business
 20 purpose; or do you think they were Jovriding?
 21 A No, it was for a business purpose.
 22 Q Okay. Okay. And is there any contention
 23 on your behalf that there was anything wrong with any
 24 of those planes that were rented from Reno Flying
 25 service to American Medflight?

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1 between the two companies as best as possible, down
 2 to the toilet paper.
 3 Q Who did that? Did you ever do that?
 4 A Yes, I did.
 5 Q Tell me about what you did.
 6 A We would go to Costco and buy supplies; we
 7 would split the supplies the best we could come up
 8 with.
 9 In other words, if American Medflight had
 10 twice as many employees as Reno Flying Service, we
 11 would split the costs two-thirds/one-third.
 12 Q So if somebody were to get up and testify
 13 at trial that their review of the books and records
 14 of American Medflight show that in the time frame
 15 when you were there American Medflight wasn't paying
 16 its fair share of the overhead, that testimony would
 17 be mistaken?
 18 A Yes, it would. Jack and I took great
 19 effort to try and make it as equitable as possible --
 20 Q Okay.
 21 A -- because of different stockholders
 22 involved.
 23 Q Okay. Let me show you -- well, let me back
 24 up.
 25 Did you ever attend a meeting of the

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1 A No.
 2 Q Okay. Was that the only answer you wanted
 3 to change or correct?
 4 A Yes.
 5 Q Okay. The consulting fees, has anybody
 6 ever explained to you why those were paid?
 7 A Rich told me when --
 8 Q I'm sorry. I've asked you the question,
 9 and you said it was to compensate him for risk he was
 10 taking.
 11 A Yes.
 12 Q Okay. Okay. Nobody has ever said that
 13 that was because AMF owed RFS any money? Nobody has
 14 ever said that to you?
 15 A RFS never owed any money to American -- or
 16 the other way around.
 17 Q American Medflight never owed any money to
 18 Reno Flying Service?
 19 A No, that's not exactly true. There were
 20 times when we may have carried -- American Medflight
 21 may have carried an accounts payable balance to Reno
 22 Flying Service for maintenance from time-to-time,
 23 but --
 24 Q Paid in the ordinary course of business.
 25 A -- we were very careful to allocate funds

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1 shareholders where Mr. Brown was present, this fellow
 2 that was here this morning?
 3 A He's not a shareholder.
 4 Q Did Mr. Brown ever attend a shareholders
 5 meeting, sir?
 6 I know he's not a shareholder, but did he
 7 ever attend such a meeting?
 8 A Not until very recently.
 9 Q You attended shareholders meetings during
 10 the period of time that you were not a director?
 11 A I'm not sure.
 12 (A copy of a two-page letter dated
 13 February 12, 2007 from Jack Dawson to
 14 John Carstarphen, was marked Exhibit
 15 61 for identification.)
 16 BY MR. HILL:
 17 Q Let me show you what I've marked as
 18 Exhibit 61, Mr. Carstarphen. Take a moment and look
 19 at it. I'm going to first ask you if you've ever
 20 seen it before.
 21 A Okay.
 22 Q Have you ever seen this before?
 23 A Yes.
 24 Q Did you receive it on or about February 12,
 25 2007?

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1 A This one says 11/5/89.
 2 Q Mr. Carstarphen, that is how the Federal
 3 Court --
 4 A Okay.
 5 Q -- file stamps documents that come in. Let
 6 me direct you --
 7 A Oh, okay.
 8 Q Do you see where it's dated there February
 9 12th, 2007?
 10 A Yes.
 11 Q Did you get it at or about that time, do
 12 you think?
 13 A Probably.
 14 Q Do you recall seeing it before today?
 15 A Yes.
 16 Q What was the first time you saw it, do you
 17 remember?
 18 A No.
 19 Q All right. Did you meet with Linda Reed,
 20 Will Geyer, Dave Gurney, Jim Brown, and Jack Dawson
 21 on February 8, 2007?
 22 A It says that here.
 23 Q Do you recall getting this letter and
 24 saying: Boy, that's a lie. Anything to that effect?
 25 A No.

123

1 A I don't know.
 2 Q Tell me about the meeting you recall.
 3 A Jack and I had numerous meetings about
 4 aircrafts --
 5 Q Okay.
 6 A -- and the need for retiring the Cheyennes.
 7 Q Do you have any recollection of anything
 8 else that was discussed at those meetings, other than
 9 what you just told me?
 10 A I'm sure we discussed litigation issues,
 11 probably.
 12 Q What litigation? Your litigation against
 13 the company?
 14 A Yes.
 15 Q Okay. Did Mr. Dawson tell you ever that
 16 American Medflight had tried to get financing to buy
 17 planes?
 18 A He probably did.
 19 Q You don't remember one way or the other?
 20 A He probably did.
 21 Q Okay. What did he tell you?
 22 A He told me that, just what it says in here,
 23 that they couldn't get financing because there was a
 24 pending litigation.
 25 Q Well, that's not what it says, is it?

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1 Q Do you have any recollection at all of that
 2 meeting?
 3 A Not very much, but I'm sure it occurred.
 4 Q Okay. Do you have any -- you read
 5 Exhibit 61 to yourself before we started talking
 6 about it, didn't you?
 7 A Yes.
 8 Q Do you disagree with Mr. Dawson's recital
 9 in the first paragraph that the meetings were held to
 10 discuss the need for aircraft at AMF?
 11 A Uh-huh.
 12 Q That's true?
 13 A Yes.
 14 Q Okay. And you met the next day with him in
 15 private?
 16 A I don't know.
 17 Q You don't recall meeting with Mr. Dawson
 18 the next day?
 19 A No.
 20 Q Do you recall ever meeting Mr. Dawson in
 21 private to discuss whether or not American Medflight
 22 needed airplanes?
 23 A Yes.
 24 Q Okay. Was that this meeting, or a
 25 different one?

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1 Well, it says due to the current lawsuit.
 2 A Yes.
 3 Q Okay. And it also says: And because you
 4 and Rich Hilsner will not guarantee the loans.
 5 A Yes.
 6 Q Was that true?
 7 A Yes.
 8 Q You refused to guarantee?
 9 A Hilsner did, too.
 10 Q Okay. Did Hilsner say that he would
 11 guarantee if you would guarantee?
 12 A At that point I don't think we were
 13 talking.
 14 Q Did Dawson tell you that if you were
 15 willing to guarantee, Hilsner was willing to
 16 guarantee?
 17 A I don't know.
 18 Q You don't know. It might have happened; it
 19 might not have happened; you don't remember?
 20 A I don't know.
 21 Q Okay. Fair enough, sir. Now --
 22 A You have to realize that before all of this
 23 I was willing to get the third airplane long before
 24 these problems started. Once he started taking money
 25 from the company on a line of credit and stuff, I

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1 refused to guarantee the loans. But I was willing,
 2 back when we needed a third airplane, to guarantee
 3 the loan.
 4 Q Did you come up with any proposals under
 5 which -- in the time frame of this letter,
 6 Exhibit 61, did you have any proposals to anybody as
 7 to how you thought American Medflight should get the
 8 planes that it needed?
 9 A Yes.
 10 Q What?
 11 A It was prior to this period of time --
 12 Q Okay.
 13 A -- I can explain one thing. Okay?
 14 Q Please. Please.
 15 A American Medflight had two airplanes to
 16 operate with. Okay? And it has a base here in Reno
 17 and one in Elko. Okay? That leaves, it needs a
 18 third airplane to do maintenance on because we
 19 operate 24/7.
 20 Q Right. So if one of the planes is down for
 21 a tire change, you got to have some other plane to
 22 put into service.
 23 A Otherwise we're out of service and we're
 24 losing flights.
 25 Q Bingo. Does that make good business sense

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1 A No.
 2 Q Is it memorialized anywhere?
 3 A No.
 4 Q Who did you make it to?
 5 A Rich Milsner and Jack Dawson.
 6 Q So you guys were talking at that point?
 7 A Yes.
 8 Q Okay. What did they say?
 9 A They said no.
 10 Q Did they say why?
 11 A They wanted to keep the airplane in Reno
 12 Flying Service, and I presumed that's when it started
 13 that they wanted to be able to siphon money out of
 14 American Medflight into Reno Flying Service.
 15 Q So Dawson was then actively involved in the
 16 siphoning of money from the company; is that your
 17 testimony?
 18 A I would say he was complicit.
 19 Q What does that mean? Let's not mince
 20 words.
 21 A He went along with the deal --
 22 Q Did he profit from it?
 23 A -- Rich Milsner -- yes, he was -- I believe
 24 at that time he was still a stockholder of Reno
 25 Flying Service.

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1 to you?
 2 A Yes.
 3 Q Okay. Thank you. Go ahead.
 4 A Then Reno Flying Service had two airplanes.
 5 Okay? They used one to haul the doctors around, the
 6 cardiologists five days a week, which they could do
 7 the maintenance on weekends with no problems. Okay?
 8 Then they also had another airplane that
 9 they flew to Las Vegas with bank checks every night.
 10 They lost the contract to fly down to Las Vegas so
 11 they didn't need that airplane any more.
 12 I proposed at that time that we buy that
 13 second airplane from Reno Flying Service for American
 14 Medflight, and at that time I was willing to
 15 guarantee the loan to buy that airplane. I was
 16 turned down.
 17 Q Okay. Are you done?
 18 A Yes.
 19 Q Okay. When did that occur?
 20 A I believe that occurred prior to this date.
 21 Q Can you give me --
 22 A A year or two, or something like that.
 23 Q So it was in at least 2005, maybe earlier?
 24 A I'm not sure of the date at all.
 25 Q Did you put this proposal in writing?

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1 Q Okay. And this is in 2005?
 2 A I don't know the date.
 3 Q Whenever the date -- let's give it a time
 4 frame. Whenever it was that Reno Flying Service lost
 5 its contracts to hold the bank checks, whenever that
 6 was --
 7 A That's what it was. I don't know what that
 8 date was, but that's when it was.
 9 Q That's the event around which that you've
 10 just told me pivots.
 11 A Yes.
 12 Q And what did you believe Mr. Dawson
 13 profited from that, sir?
 14 A He was a stockholder of Reno Flying
 15 Service.
 16 Q Okay. What do you believe Mr. Dawson
 17 profited?
 18 A I have no idea.
 19 Q Did American Medflight have the need --
 20 well, you've already told me American Medflight,
 21 every time it rented an airplane from Reno Flying
 22 Service it had a need for it.
 23 A Correct.
 24 Q Okay. And are we in agreement that the
 25 rates charged by Reno Flying Service to American

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1 Medflight were fair and reasonable?

2 A I can't answer that because I don't know
3 what they are. I did at one point.

4 Q Okay.

5 A They were at \$650 an hour, and now they're
6 up to like \$1200 an hour, so I have no idea whether
7 that's reasonable, and when the rates changed, or
8 what they were.

9 Q Have you taken any steps to investigate
10 what the rental market was that AMF could have tapped
11 into at any time as an alternate to Reno Flying
12 Service?

13 A No, because there is nothing here locally
14 that they could rent.

15 Q So AMF had no choice but to rent from Reno
16 Flying Service, is that what you're telling me, or do
17 without?

18 A No, the choice was to buy an airplane for
19 itself.

20 Q Okay. And your testimony is that you
21 offered to guarantee?

22 A Yes.

23 Q And is that in this same time frame with
24 the loss of the bank check business?

25 A Yes.

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1 American Medflight; were you not?

2 A No.

3 Q Doesn't that say that in here?

4 A Well, in my terminology "lease" and "rent"
5 are synonymous, and you're trying to make a
6 distinction, and I don't know of -- I know of no
7 leases ever occurring.

8 Q Well, let's read Exhibit 61 together.
9 Okay. Please follow along.

10 The last sentence on the first page: We
11 discussed having Reno Flying Service, Inc., with
12 Rich Milsner guaranteeing the loan, lease the
13 necessary aircraft to AMF.

14 Did I read that sentence correctly, sir?

15 A Yes.

16 Q Is Mr. Dawson misstating the facts in this
17 letter?

18 A No.

19 Q So you did discuss that with him?

20 A Yes, but I'm telling you in my terminology
21 "lease" and "rent" were the same. I knew of no such
22 thing as a written contract lease.

23 Q Are you aware that -- let's focus on my
24 question; okay? You had that discussion with
25 Jack Dawson?

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1 Q The check route business.

2 A Yes.

3 Q Okay. Now let's come back to 2007. In
4 response to this letter that you have in front of
5 you, Exhibit 61, did you make a proposal of any kind
6 to anybody as to how to get the planes that American
7 Medflight needed?

8 A Did I make any proposal?

9 Q Dawson comes to you and he says: Look,
10 because of your lawsuit neither Milsner nor you are
11 willing to guarantee. American Medflight is
12 suffering because it needs a plane, and it can't get
13 it on its own.

14 Is that a fair summation of what he said?

15 A Yes.

16 Q Did you have any constructive responses to
17 that?

18 A I don't think anybody did.

19 Q So the answer is no?

20 A No.

21 Q You didn't suggest any alternatives?

22 A I don't know of any alternatives.

23 Q Fair enough, sir.

24 Now you were aware that they were proposing
25 that Reno Flying Service would lease two airplanes to

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1 A I had many discussions with Jack Dawson.

2 Q Thank you, sir.

3 Let me read the next sentence to you: I
4 pointed out that this would obviously cost AMF more
5 than purchasing the aircraft as RFS, as well as any
6 leasing company, would be making a profit.

7 Have you ever leased anything, sir?

8 A Yes.

9 Q Did the company that you leased from make a
10 profit in the transaction?

11 A Yes.

12 Q Was that fair?

13 A Yes.

14 Q Was it reasonable?

15 A Yes.

16 Q Is it customary?

17 A Yes.

18 Q Did you think that Milsner had any duty to
19 rent a plane to AMF?

20 A No.

21 Q Did he have any duty to rent it, rent a
22 plane to AMF at a loss?

23 A No.

24 Q Anybody that AMF would have done business
25 with would have made a profit, wouldn't they?

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1 A Yes, but I don't know where you're going.
2 Q Do you know how much profit RFS made by
3 leasing airplanes to American Medflight?
4 A No.
5 Q Do you know whether that number is
6 reasonable or unreasonable?
7 A I do not know the number.
8 Q But do you know -- fine. Well, I think the
9 answer is: I don't know.
10 AMF did lease two airplanes from Reno
11 Flying Service. Do you know that, or not?
12 A I do not know that.
13 Q Okay. Then Mr. Dawson continues in his
14 letter: We all agreed, including you -
15 John Carstarphen - and I, that this was the only
16 course AMF had available to it and that we should
17 proceed with the plan for RFS to purchase the
18 aircraft to lease to AMF.
19 Did I read that correctly, sir?
20 A I believe so.
21 Q Did you have that discussion with
22 Jack Dawson?
23 A What discussion?
24 Q The one I just read to you, sir. Let me
25 read it to you again. I apologize for being rude;

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1 Q When did you talk to him, sir?
2 A In this period of time. We had been
3 discussing this whole situation of getting additional
4 aircraft.
5 Q Do you have a recollection of what you said
6 to Mr. Dawson, sir?
7 A That we should probably proceed to get this
8 King Air because we are having trouble getting parts
9 for the Chevennes.
10 Q Okay. The part he wanted to hear from you
11 about was the leasing from Reno Flying Service. Did
12 you understand that?
13 A Yes.
14 Q Did you address that issue when you got
15 back to him?
16 A I'm sure I addressed it probably before he
17 wrote this letter.
18 Q What did you say to him?
19 A I said that's the only way it's going to
20 proceed with this lawsuit continuing.
21 Q So you knew before the lease was done, and
22 you knew that was what they were going to do, and did
23 not say to them: No, don't do it. Is my statement
24 correct?
25 A Yes.

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1 let me point to --
2 A I was listening to you; I wasn't reading.
3 Q I knew you were, and that's why. So let's
4 go through it together.
5 We all agreed, including you and I, that
6 this was the only course AMF had available to it and
7 that we should proceed with the plan for RFS to
8 purchase the aircraft to lease to AMF.
9 Did I read that correctly?
10 A Yes.
11 Q Did you have that discussion with
12 Jack Dawson on or about February 29th, 2007?
13 A Yes.
14 Q In the next sentence he says: If you do
15 not agree with the content of this letter please let
16 me know within ten days, otherwise I will have the
17 necessary board meetings to go forward.
18 Do you see that there?
19 A Yes.
20 Q Was that on there when you got this?
21 A I'm sure it was.
22 Q Did you get back to him and say: No, don't
23 do that?
24 A I don't know that I said -- I got back, I'm
25 sure I talked to him in that period of time.

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1 MR. HILL: Give me just one moment. I want
2 to get the leases. Okay?
3 (Off the record.)
4 BY MR. HILL:
5 Q Mr. Carstarphen, how many planes does
6 American Medflight have at its disposal at this time?
7 A I believe two.
8 Q What are they?
9 A Two Piper Cheyenne II's.
10 Q What happened to the planes that -- were
11 there King Airs acquired?
12 A Yes, there were.
13 Q What happened to them?
14 A There was only one acquired.
15 Q Okay. What happened to it?
16 A They never could get it on the Part 135
17 certificate, and Jack turned around and sold it.
18 Q Okay. So at this point they only have two
19 airplanes?
20 A Two airplanes.
21 Q What do they do when one of the planes is
22 in for service, sir?
23 A They rent it from Reno Flying Service, an
24 airplane, for about a quarter of a million dollars a
25 year -- three-quarters of a million, excuse me.

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1 Q And you think that that three-quarters of a
2 million dollars should be paid back?
3 A No, I think American Medflight should own a
4 third airplane --
5 Q Okay.
6 A -- and not rent from Reno Flying Service.
7 Q Okay. Could you take Exhibit 60 out,
8 please, Mr. Carstarphen. Paragraph 8, line 5 on
9 page 3 -- let's start on line 4.
10 Defendants have engaged and continue to
11 engage in an intentional, systematic, self-dealing
12 plan to divert funds and business opportunities of
13 American Medflight to Reno Flying Services.
14 Have you and I now discussed every business
15 opportunity that has been diverted, that you contend
16 has been diverted from American Medflight to Reno
17 Flying Service?
18 A Have we discussed it? Yes.
19 Q Okay. Have we discussed every device,
20 every scheme, everything that you know about, about
21 how moneys were diverted to Reno Flying Service from
22 American Medflight?
23 A No.
24 Q What else is there?
25 A I don't know. I haven't had access to

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1 American Medflight?
2 A Today? Nothing.
3 Q Okay.
4 A Everything I have asked for they have given
5 me.
6 Q Okay. Have you conducted any investigation
7 to determine if there are any other ways in which
8 Mr. Dawson or Mr. Milsner, or anybody else for that
9 matter, is diverting any money from American
10 Medflight to any place in the --
11 A I have no way of knowing that.
12 Q Okay. Do you contend that it was
13 inappropriate for any reason that American Medflight
14 gets its insurance through Mr. Milsner's company?
15 A Do I think it's inappropriate?
16 Q Yes, sir.
17 A Yes.
18 Q Okay. Why?
19 A Why? Because since 1995 we have never
20 gotten a competitive bid on any of the insurance, and
21 I believe that any prudent businessman would
22 occasionally, maybe not every year, but occasionally
23 put it out to another insurance company to see
24 whether or not we're paying the appropriate rates or
25 not.

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1 records and books to find out.
2 Q But today you and I have talked about all
3 the ones you know about, haven't we?
4 A I have talked --
5 Q There could be others.
6 A They could be others.
7 Q There could be others. But have we now
8 talked about all the ones you know about, the ones
9 that you've uncovered?
10 A I've talked about the major ones.
11 Q What else is there? Tell me the minor
12 ones. I want to know all of them today, sir.
13 A I don't know offhand. I would have to do
14 some research.
15 Q What would you look at, sir?
16 A These are the major ones.
17 Q Are there any others, I don't care if it's
18 a dollar 25 --
19 A I have no idea because I have no access to
20 books and records.
21 Q Okay.
22 A I have no access to Reno Flying Service
23 records. I have limited access to American Medflight
24 records.
25 Q Okay. What have you been denied from

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1 Q Have you discussed that issue with
2 Mr. Dawson?
3 A Yes.
4 Q What has Mr. Dawson told you,
5 Mr. Carstarphen?
6 A He has told me that Mr. Milsner is giving
7 us a very good break on the insurance.
8 Q Is that all he's told you?
9 A Yes.
10 Q And do you have any reason to believe that
11 Mr. Dawson is being untruthful with what he has told
12 you in that regard?
13 A Like I said again, any prudent business
14 person would get competitive quotes, and we have
15 never done that since 1995.
16 Q Mr. Carstarphen, my question to you is a
17 yes or a no answer. Do you believe that Mr. Dawson
18 is being truthful --
19 A I have no --
20 Q Mr. Carstarphen, please allow me to pose
21 the question, and then I will allow you to answer.
22 A Okay.
23 Q Those are the ground rules.
24 I see three possibilities: Dawson is
25 telling you the truth, Dawson is lying to you, or

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1 Dawson doesn't have a basis in fact to make the
 2 statement.
 3 Do you see any other options in terms of
 4 what Mr. Dawson told you about whether or not
 5 Mr. Milsner is giving American Medflight a break on
 6 the insurance?
 7 A That spells it out pretty much.
 8 Q Which one of the options would you pick,
 9 sir?
 10 A All three.
 11 Q All three. Okay. So on what basis do you
 12 contend that Mr. Dawson is lying to you, sir? Did
 13 you have any facts?
 14 A I didn't say he's lying to me. He doesn't
 15 have the information either since there has been no
 16 competitive bidding.
 17 Q Has Mr. Dawson ever told you that he's
 18 tried to get a competitive bid?
 19 A No.
 20 Q Have you ever asked him?
 21 A Have I ever asked him? I asked for
 22 competitive bids and I never got them.
 23 Q Has Mr. Dawson told you he tried to get
 24 one, ever?
 25 A No.

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1 (A copy of a document entitled
 2 Aircraft Lease, ANF-58303 through
 3 ANF-58308, was marked Exhibit 62 for
 4 identification.)
 5 (A copy of a document entitled
 6 Aircraft Lease, ANF-58309 through
 7 ANF-58314, was marked Exhibit 63 for
 8 identification.)
 9 BY MR. HILL:
 10 Q Mr. Carstarphen, let me show you Exhibits
 11 62 and 63.
 12 Mr. Carstarphen, the question I'm going to
 13 put to you is whether you've ever seen either
 14 Exhibit 62 or 63 before today?
 15 A No. Let me look at number 62. Are they
 16 the same?
 17 No, I've never seen either one.
 18 Q Okay. We don't need to waste any of your
 19 time talking about them.
 20 Now do you have an opinion as to how much
 21 Mr. Dawson or Mr. Milsner have diverted from American
 22 Medflight through the use of Mr. Milsner's company to
 23 place insurance?
 24 A No.
 25 Q Have you ever gone out and gotten an

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1 independent estimate for the insurance for American
 2 Medflight?
 3 A No.
 4 Q Why not?
 5 A They wouldn't let me do it when I was
 6 there.
 7 Q Well, you're a director, sir. Why didn't
 8 you just say: I'm going to go make some inquiries
 9 and find out so I know how much you guys are
 10 stealing. Why didn't you do that?
 11 A I didn't say they were stealing.
 12 Q Well, how much do you think the Judge
 13 should give you for that?
 14 A I have no idea, because I cannot tell you
 15 whether the insurance rate that we're paying is
 16 correct or it isn't correct.
 17 Q Has anybody ever told you that the rate
 18 that American Medflight is paying for insurance is
 19 too high?
 20 A No.
 21 Q Have they ever told you that it's higher
 22 than it should be; anybody?
 23 A No.
 24 Q Do you have any fact that leads you to
 25 believe that the price is above what's reasonable?

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1 A No.
 2 Q Have they been real insurance policies that
 3 have been provided by Milsner's office, do you know,
 4 as opposed to you see on TV these ads warning you
 5 about insurance scams? Do you think they're real
 6 policies or real companies?
 7 A I don't know.
 8 Q Have you ever even looked at the policies,
 9 sir?
 10 A Yes.
 11 Q When?
 12 A When I was president of the company.
 13 Q Up until 1999?
 14 A '98.
 15 Q Okay. Since that time you have not looked?
 16 A I haven't been allowed to look at them.
 17 Q Have you asked?
 18 A I asked many times, and they always --
 19 Q Who?
 20 A What?
 21 Q Who did you ask, and what did you ask for
 22 in terms of insurance, sir?
 23 A I asked in 1998 -- let me look at my paper,
 24 sir.
 25 Q You are looking at Exhibit 58, is that

145

1 right?

2 A I'm looking at number 58.

3 In May of '98 I made requests for

4 documentation through Marvin Murphy, attorney, and I

5 was refused all information.

6 Q Do you have a copy of that request?

7 A Yes, I do.

8 Q Where?

9 A I made the request in writing --

10 Q I need a copy of it, sir. Where do you

11 have it?

12 A I would have to go try and find it.

13 Q But your Exhibit 58 --

14 A And we made -- I made a request in writing.

15 I don't believe Marvin Murphy did that, I believe I

16 did it on my own. I drafted the letter and requested

17 the information in writing. I was subsequently

18 denied access to the information, and they said that

19 I needed to provide an affidavit of some kind.

20 At that time I went to Marvin Murphy --

21 Q Mr. Carstarphen, I'm going to be rude and

22 I'm going to interrupt you and try to get you back on

23 beam. Okay?

24 That was the focus of the first lawsuit.

25 You remember the first lawsuit, don't you?

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1 Since January 1, 2004. Please tell me.

2 A I've just been asking for financial

3 information, and I've been denied that.

4 Q Tell me specifically when you asked, who

5 you asked, and what you asked for in that time frame

6 that I have identified for you, sir.

7 A It was probably all to Jack Dawson.

8 Q Okay. And was it in writing?

9 A No.

10 Q Were any of them in writing?

11 A No.

12 Q So all the requests that you made were

13 verbal?

14 A No. In 2000 -- in 1998 they were in

15 writing.

16 Q Mr. Carstarphen --

17 MR. RUSSO: He's limiting your time to --

18 BY MR. HILL:

19 Q Mr. Carstarphen, do you understand what the

20 statutes of limitations is?

21 A Yes.

22 Q Do you know that the statutes of

23 limitations for breach of fiduciary duty is three

24 years?

25 A Uh-huh.

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1 A Yes.

2 Q And you remember what happened to that

3 lawsuit, don't you?

4 A Yes.

5 Q That's not at issue in this case, is it?

6 A Well, you're asking me when I --

7 Q Let me rephrase my question and try to work

8 out --

9 A Okay.

10 Q -- and we can try to move this along

11 because Mr. Russo has to go back to Los Angeles, and

12 with you not focusing -- maybe with me asking

13 unfocused questions -- we're going to be here for a

14 long time. He's going to have to come back. We

15 don't want to do that; okay?

16 Since 2004 have you requested access to

17 insurance information and been denied same?

18 A I have not asked for insurance information

19 specifically.

20 Q Okay. Have you asked for information since

21 2004, and has that request ever been denied?

22 A Yes.

23 Q When?

24 A All of them.

25 Q What requests are you talking about, sir?

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1 Q Yes?

2 A Yes.

3 Q Has anybody ever told you that?

4 A Yes.

5 Q Has anybody ever told you that the claims

6 in the first case have gone away?

7 A Yes.

8 Q Okay. So let's focus, please, from

9 January 1, 2004 until the present, have you made a

10 written request for any information pertaining to

11 American Medflight to Mr. Dawson?

12 A I don't believe so.

13 Q Thank you.

14 A They all were verbal.

15 Q Okay. Tell me about the verbal ones. What

16 did you ask for, sir?

17 A Financial information.

18 Q What did you say to Mr. Dawson, sir?

19 A Can I get interim financial statements,

20 year-end financial statements, tax returns?

21 Q And your testimony today is that Mr. Dawson

22 refused to provide any information?

23 A Yes.

24 Q Okay.

25 A No, I can't say that. In 2004 it's yes.

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1 Now I am getting information. And I started getting
2 a little at a time. But not complete.
3 Q Mr. Carstarphen, are you capable of telling
4 me when you asked Mr. Dawson for information that he
5 refused to give you since January 1, 2004? Can you
6 do that?
7 A I can't -- I don't understand what you're
8 trying to get to.
9 Q Okay. You, John Carstarphen, have asked
10 Mr. Dawson for financial information about American
11 Medflight.
12 A Yes.
13 Q Those conversations took place between
14 January 1, 2004 and today. Is that right?
15 A Yes.
16 Q And you contend that Mr. Dawson denied
17 those requests. Yes, or no?
18 A He denied them in 2004, and now he's
19 providing information.
20 Q When in 2004, sir?
21 A What do you mean when in 2004?
22 Q Can you give me a quarter of the year?
23 A No.
24 Q Can you give me a season?
25 A No.

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1 A I don't know.
2 Q 2007?
3 A I don't know.
4 Q 2008?
5 A I don't know, but I have in those periods
6 of time made different requests.
7 Q Well, Mr. Carstarphen, do you think that
8 that's credible testimony?
9 A Yes.
10 Q You do? You think the Judge is going to
11 sit back and say: Boy, that Mr. Carstarphen guy, he
12 sure told me when he wanted that information and what
13 he didn't get.
14 MR. RUSSO: Objection. Argumentative.
15 That's not a question.
16 MR. HILL: You're right. You're right. I
17 apologize.
18 BY MR. HILL:
19 Q Did anybody ever tell you that American
20 medflight was required to do business with Reno
21 Flying Service?
22 A No.
23 Q Did you provide Mr. Proctor with any
24 information for his report?
25 A I did provide some information.

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1 Q Can you tell me whether it was first half
2 or second half?
3 A No.
4 Q Can you tell me what you asked for?
5 A Financial information.
6 Q So you said to Mr. Dawson: Mr. Dawson, may
7 I have financial information?
8 A Yes.
9 Q Were you any more specific than that?
10 A No.
11 Q And your testimony is Mr. Dawson gave you
12 nothing?
13 A Nothing.
14 Q Okay. And if I understand your
15 testimony -- well, when was the next time you made a
16 request of Mr. Dawson for financial information?
17 A I don't know.
18 Q Was there a second one in 2004, or was
19 there only one?
20 A I have no idea.
21 Q Who would know that, sir?
22 A I don't know anybody that would know that.
23 Q Okay. Did you make a request in 2005?
24 A I don't know.
25 Q Did you make a request in 2006?

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1 Q What information did you provide to him?
2 A I told him I think -- what I thought the
3 salaries were for mechanics and --
4 Q Okay.
5 A -- I told him how many aircraft we're
6 renting between the two companies back when I was
7 president.
8 Q Anything else?
9 A I gave him different financial statements
10 and documents that I had acquired from Jack.
11 Q What other information did you give him?
12 A Background information as to how this
13 cross-rental thing worked when I was president of the
14 company.
15 Q How tell me how the cross-rental thing
16 works?
17 A Say again?
18 Q Tell me what you told him about how it
19 works.
20 A What we did was a monthly cross-billing for
21 the hours. We would bill Reno Flying Service for
22 hours they used of our aircraft, and vice versa, and
23 we --
24 Q Did you tell him --
25 A -- would cross-bill. There would be two

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1 bills.
 2 Q Did you tell him that the rates -- do you
 3 know, are the rates the same that they charge each
 4 other?
 5 A When I was president they were the same.
 6 Q Do you know if that's the situation today?
 7 A I do not know.
 8 Q Okay. Go ahead. Anything else?
 9 A No.
 10 Q Okay. Do Milsner and Dawson have to do
 11 what you want to do in terms of the operation of
 12 American Medflight?
 13 A Say that again?
 14 Q Does Milsner have to do what you want, or
 15 did he have to do what you want to do in terms of the
 16 operation of American Medflight?
 17 A I don't understand the question.
 18 Q Were you in charge at American Medflight?
 19 A Up until the time I was fired. I was the
 20 president.
 21 Q And after that, you were a one-third owner
 22 of the company.
 23 A Correct.
 24 Q And it was the other two-thirds who asked
 25 you to leave?

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1 Medflight to pay for maintenance performed by its own
 2 employees.
 3 Did I read that correctly?
 4 A I believe so.
 5 Q Do you have any facts to support that
 6 assertion?
 7 A Yes.
 8 Q What employees?
 9 A Jim Brown.
 10 Q Is he it?
 11 A Yes.
 12 Q Okay. And tell me what you're referring to
 13 here or your lawyer is --
 14 A And also Jack Dawson.
 15 Q Okay. Tell me about it.
 16 A Jim Brown is paid by American Medflight and
 17 Reno Flying Service to be director of maintenance.
 18 Q Okay.
 19 A For both companies.
 20 Q Okay.
 21 A Jack Dawson is paid to be the director of
 22 operations for American Medflight and Reno Flying
 23 Service.
 24 Q Okay.
 25 A Okay?

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1 A Yes.
 2 Q Okay. Did they have to follow your
 3 instructions?
 4 A No.
 5 Q Where there ever any things that you and
 6 Milsner did agree on in terms of operating AMF?
 7 A We agreed on almost everything 100 percent
 8 until 1997 or '8 when Jack sold his stock.
 9 Q Okay. And that's when you determined that
 10 Milsner was dishonest?
 11 A Yes.
 12 Q Did you ever believe anything Milsner told
 13 you after that?
 14 A No.
 15 Q Page 3 of Exhibit 60, Mr. Carstarphen.
 16 Paragraph 10, line 23. I'm going to read it to you.
 17 Please follow along: Plaintiff is informed and
 18 believes, and based thereon alleges -- are you with
 19 me?
 20 A Uh-huh.
 21 Q Line 24. -- that employees of Reno Flying
 22 Service whom have performed maintenance on American
 23 Medflight planes are also employees of American
 24 Medflight with salaries paid jointly by American
 25 Medflight; thus, defendants have required American

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1 Q Is there a problem with that, with those
 2 two gentlemen being employed by both companies, is
 3 there a problem with that?
 4 A There is no problem.
 5 Q Okay. So what's the problem that this is
 6 referring to, as you understand it?
 7 A What this is referring to is the fact that
 8 if they're under the employ of American Medflight we
 9 don't need to have to go out and hire anybody else,
 10 we already have them in-house to do our own
 11 maintenance.
 12 Q Is American Medflight paying all of
 13 Mr. Brown's salary?
 14 A I don't believe so.
 15 Q Is it paying all of Mr. Dawson's salary?
 16 A No, I don't believe so.
 17 Q Have you done anything during the pendency
 18 of this lawsuit to go out and price what any employee
 19 would cost if you replace them?
 20 Do you understand my question?
 21 A Yes.
 22 Q Have you done any --
 23 A No.
 24 Q Made any phone calls?
 25 A No. I left that up to Jim Proctor to do.

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1 Q Okay. So if anybody has gone out to
2 ascertain what's the appropriate wage to be paying a
3 director of maintenance or a director of operation,
4 or any other employee for that matter, somebody other
5 than you has done that.
6 A Yes.
7 Q Okay. Do you plan to do that before trial?
8 A No. I'm relying on my consultant.
9 Q How much have you paid Mr. Proctor?
10 A How much have I paid him?
11 Q Yes.
12 A I don't know in total.
13 Q Now this isn't the --
14 A And for just this report or --
15 Q Well, let's back up.
16 A I mean, he's been on this case for years.
17 Q We all have, Mr. Carstarphen; we're all
18 growing old together.
19 Mr. Proctor was your expert in the first
20 case; right?
21 A Yes.
22 Q Mr. Proctor is your expert in this case.
23 A Yes.
24 Q Mr. Proctor has been an expert for you in
25 another case, hasn't he?

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1 Q Where was this pending? In Carson City?
2 With the State of Nevada? In Federal Court? Do you
3 know?
4 A I don't know.
5 Q Did it proceed to a trial or a hearing?
6 A It went to an administrative hearing.
7 Q Okay. And did Mr. Proctor testify at that
8 hearing?
9 A Yes, he did.
10 Q Did he have a report in that case?
11 A Did he have a report?
12 Q Yes. You've seen the report he did in this
13 case. He's done a couple of reports in this case,
14 hasn't he?
15 A I don't know whether it was a report or it
16 was exhibits. I would have to go back and look.
17 Q Do you have copies?
18 A I'm sure I do.
19 Q And were these copies offered as evidence
20 to the administrative Judge?
21 A I'm sure they were.
22 Q Were you there for the hearing?
23 A Yes, I was.
24 Q Who represented American Home Companion?
25 A Patrick King.

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1 A Yes.
2 Q Tell me about that case.
3 MR. RUSSO: I'll give you a short leash for
4 this one for time. In a broad sense tell him about
5 it --
6 MR. HILL: Do you want to tell me about it?
7 We might get through faster.
8 MR. RUSSO: No, I'm saying I don't believe
9 it's relevant to this --
10 MR. HILL: That's fine.
11 MR. RUSSO: -- so why don't you tell him
12 just briefly about the other case.
13 MR. HILL: That's fine.
14 BY MR. HILL:
15 Q Who are the parties to the other case, sir?
16 A First Health Service Corporation.
17 Q And who?
18 A And American Medflight -- I mean, American
19 Home Companion.
20 Q Now was that a lawsuit?
21 A That was a lawsuit, yes.
22 Q Okay. Where was the lawsuit?
23 MR. RUSSO: An administrative proceeding.
24 MR. HILL: Thank you.
25 BY MR. HILL:

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1 Q And what's the status of that case at this
2 time?
3 A It's been finalized.
4 Q Okay. What does that mean?
5 A The administrative Judge made a decision.
6 Q Okay. What was his decision?
7 A It was against American Home Companion.
8 Q All right. And was there an appeal taken?
9 A No.
10 Q Was there a lawsuit filed in the court to
11 ask the Judge to look at the decision?
12 A No.
13 Q So did American Home Companion have to pay
14 something to somebody?
15 A No.
16 Q Was American Home Companion trying to get
17 money?
18 A Yes.
19 Q And did it get any money?
20 A No.
21 Q Okay. All right. Were there any other
22 experts besides Proctor?
23 A In regard to what?
24 Q That matter, sir.
25 A That matter?

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1 Q The one we were just talking about.
 2 A Expert witnesses?
 3 Q Yes, sir.
 4 A No.
 5 Q Those three times, are those the total
 6 times that you or any company that you're affiliated
 7 with have employed Mr. Proctor for any reason?
 8 A I believe that's correct.
 9 Q Okay. So can you tell me, sir, how many
 10 times has Reno Flying Service billed American
 11 Medflight for work that American Medflight employees
 12 did on American Medflight planes? Can you tell me
 13 that?
 14 A No, but it was done monthly.
 15 Q Tell me what was done. Explain this scam
 16 to me.
 17 A What scam?
 18 Q Isn't it a scam that they're using this to
 19 take money away from your interest in the company,
 20 sir?
 21 A They're diverting money, yes.
 22 Q Tell me about this diversion, sir. Tell me
 23 how it works. Do you know?
 24 A It was billed monthly.
 25 Q Okay. What was billed?

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1 Q Have you ever called anybody up to ask them
 2 what they would charge to rent an airplane?
 3 A What would that gain me when I don't even
 4 know what rate they're paying?
 5 Q Okay. Tell me, are you telling me that
 6 each and every month Reno Flying Service bills
 7 American Medflight for charges that Reno Flying
 8 Service is billing for work that AMF employees are
 9 doing on AMF planes?
 10 A You lost me completely on that one.
 11 Q Mr. Carstarphen --
 12 MR. RUSSO: I think he already identified
 13 Jim Brown as the person he's referring to.
 14 BY MR. HILL:
 15 Q Well, are you telling me that you believe
 16 that Reno Flying Service has billed American
 17 Medflight for work that Mr. Brown did on an American
 18 Medflight airplane?
 19 A Mr. Brown is the director of maintenance
 20 and does very little work on the airplanes.
 21 Q Can you listen to my question,
 22 Mr. Carstarphen?
 23 A I am listening.
 24 Q Do you believe that Reno Flying Service has
 25 billed American Medflight for work that Jim Brown did

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1 A It was billed, for maintenance and aircraft
 2 rental it was billed monthly.
 3 Q All right. And do you contend that Reno
 4 Flying Service was billing American Medflight for
 5 planes that Reno Flying Service was making available
 6 to AMF?
 7 A Yes.
 8 Q Are you saying there are phantom rental
 9 invoices?
 10 A No.
 11 Q Okay. What's the problem with the monthly
 12 invoices for the rental?
 13 A The problem is, is American Medflight
 14 should own its own airplane and not pay retail rate
 15 when it can do it at wholesale rate.
 16 Q Is it paying retail rates, sir?
 17 A I have no idea what it's paying.
 18 Q So you don't know whether it's paying at
 19 wholesale, retail, or beyond retail, do you?
 20 A I have no access to the books and records.
 21 Q So you don't know?
 22 A I do not know.
 23 Q Okay. And you've made no inquiry in the
 24 marketplace?
 25 A What inquiry would I make?

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1 on American Medflight airplanes?
 2 A Yes.
 3 Q What facts do you have to support that,
 4 sir?
 5 A The fact that he's there every day.
 6 Q Anything else, sir?
 7 A No.
 8 Q Can you identify one invoice, one
 9 transaction that supports what you're saying?
 10 A Jim Brown does not go out and twist
 11 wrenches so it won't show up on an invoice.
 12 Q So what you're telling me then is, is that
 13 Reno Flying Service does not bill American Medflight
 14 for Jim Brown turning wrenches on an American
 15 Medflight plane?
 16 A Basically that's what I'm saying --
 17 Q Okay.
 18 A -- I don't know that he doesn't
 19 occasionally go out and twist a wrench.
 20 Q But again, the point being --
 21 A I'm not going to go looking through all
 22 those invoices to try and find it.
 23 Q Okay. So it's not at issue in this case?
 24 A I don't believe it is.
 25 Q Oh. See how easy that was?

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1 Are there any other American Medflight
2 employees that you think Reno Flying Service has
3 billed American Medflight for?

4 A I don't know.

5 Q Okay. Has anybody told you that?

6 A No.

7 Q All right. Now do I understand --

8 MR. HILL: Let's take a break.

9 (At 2:18 p.m. a recess was taken.)

10 -000-

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1 between Milsner where he sold his stock to the ESOP,
2 do you believe that that damaged American Medflight?

3 A I don't know the answer to that.

4 Q Well, your lawyers have alleged that it
5 did. You understand that Tony Weinress appraised the
6 company, and he appraised it \$5.5 million. Do you
7 remember hearing that?

8 A Uh-huh.

9 Q Yes?

10 A Yes.

11 Q Thank you.

12 And then he came back and he appraised it
13 at a substantially lower price. Do you remember
14 that?

15 A Two weeks later, yes.

16 Q And you believe that that differential --
17 is that differential the damage you believe you
18 suffered?

19 A No, I believe that that differential
20 divided by three is what was my damage.

21 Q Okay. Thank you. So whatever that
22 differential between those two, Weinress's appraisals
23 are, one-third of that is the damage that you
24 suffered?

25 A That was approximately 1.3 million.

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1 RENO, NEVADA
2 FRIDAY, APRIL 23, 2010
3 2:22 P.M.

4 -000-

5 EXAMINATION

6 (Resumed)

7 BY MR. HILL:

8 Q Mr. Carstarphen, the harm that you claim
9 you suffered in this case, you suffered because of
10 things that people did to American Medflight, right,
11 not because of anything anybody did to you?

12 A Yes.

13 Q And the only reason you were harmed is
14 because you're a shareholder in American Medflight;
15 is that right?

16 A Yes.

17 Q Now this morning when we started I asked
18 you to list out the things that Milsner told you that
19 were false, and you gave me the list of things that
20 he did that hurt you.

21 A Yes.

22 Q And the first one you told me about was the
23 ESOP business.

24 A Yes.

25 Q Now do you believe that the transaction

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1 Q And is that the basis for your calculation
2 is Weinress's two appraisals?

3 A Yes.

4 Q Do you have any other information that you
5 can rely on to assert that the damage was suffered;
6 anything else?

7 A I don't believe so.

8 Q Okay. Have you ever hired a business
9 appraiser to appraise American Medflight?

10 A No.

11 Q Do you know anybody who has?

12 A Jack Dawson has.

13 Q When did he do that?

14 A It was 2005 when they did these appraisals
15 on December the 15th and December 31.

16 Q Okay. Do understand the distinction
17 between enterprise value and equity value? Have you
18 ever heard those terms?

19 A Not enterprise value.

20 Q Okay. You don't really believe, do you,
21 that because Milsner sold his stock to the ESOP that
22 a third-party buyer would pay less for the company?
23 You don't really believe that, do you?

24 A Yes.

25 Q You believe that because Richard Milsner

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1 sold two-thirds of the shares in the company to the
2 ESOP, that if a buyer came along he would pay three
3 point something million dollars less for the company?

4 A Yes. The appraiser thinks so.

5 Q That's what you understand that to say?

6 A Yes.

7 Q Haven't you in fact had conversations with
8 Mr. Dawson where you've told him that you understand
9 that the Weinress appraisals are specific-purpose
10 ESOP appraisals, and that the company really wasn't
11 damaged? You've had conversations to that effect
12 with Jack Dawson, haven't you?

13 A No.

14 Q You deny saying to Jack Dawson that you
15 understand that a buyer who came along would still
16 pay the same price for American Medflight? Do you
17 deny that, sir?

18 A I don't remember any conversations to that
19 effect.

20 Q Okay. So tell me --

21 A I didn't even understand why the appraisal
22 came in that low until months later. I didn't
23 understand it.

24 Q And how did that epiphany come to you, sir?

25 A It was after numerous conversations with

171

1 She goes home, Carstarphen sells his stock
2 on Tuesday, and she comes back on Wednesday with a
3 check. Is she going to pay 5.5, or do you think
4 she's going to pay that 3.9 lower number?

5 A The 3.9.

6 Q The lower number?

7 A The lower number.

8 Q Okay. Does the company still, under the
9 Monday, Tuesday, Wednesday that I just gave you, the
10 hypothetical, does the company still own all the
11 planes that it had on Monday?

12 A Yes.

13 Q Does the company still have every thing
14 that it had on Monday?

15 A It has everything, but it has another
16 \$3.6 million worth of debt.

17 Q Owed to whom?

18 A Owed to Rich Milsner.

19 Q Now on Monday Mr. Milsner owned two-thirds
20 of the company, didn't he?

21 A Yes.

22 Q How much was that worth?

23 A I don't know. Two-thirds of the 5.5.

24 Q Isn't that 3.6?

25 A Yes.

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1 Jack. He couldn't figure out why the stock should go
2 down by \$3.6 million. He didn't understand it. He
3 called Daoro, talked with him; he called the
4 appraiser, and talked with the appraiser; and he
5 never could get a really good answer.

6 And it dawned on me, some three months
7 later, that the reason it went down is because
8 American Medflight took on a guarantee of this
9 \$3.6 million and got basically nothing in return for
10 it.

11 Q So what I'm having trouble grasping,
12 Mr. Carstarphen, let's say that the transaction
13 between Milsner and the ESOP takes place on Tuesday.
14 Let's hypothetically say that on Monday the company,
15 all the company's assets are worth \$5.5 million.
16 Maybe they were worth more; maybe they were worth
17 less; but let's use that as a hypothetical number.

18 A That's fine.

19 Q On Monday the company is worth \$5.5 million
20 to a buyer --

21 A Yes.

22 Q -- to Debbie over here, the court reporter.
23 She's got a lot of money, and she wants to buy an air
24 ambulance company. And she's negotiating, and she's
25 willing to pay \$5.5 million on Monday.

172

1 Q Isn't that the number there, sir? Do you
2 see the connection?

3 A Yes.

4 Q 3.6? 3.6?

5 A Yes.

6 Q Okay. So let's say that transaction with
7 Debbie closes on Monday, and she pays \$5.5 million
8 for American Medflight. How much does
9 John Carstarphen get? He gets one-third after all
10 the debts are paid; right?

11 A But no one would pay that when there is an
12 additional 3.6 million in debt.

13 Q So you believe that anybody who would pay
14 to buy the company would have to pay that 5.5 and pay
15 the 3.6?

16 A 3.6.

17 Q That's what you believe, sir?

18 A Yes. That's what I've been told.

19 Q Who has told you that, sir?

20 A Jack Dawson.

21 Q Who else?

22 A That's it.

23 Q Okay. And we have discussed that

24 Mr. Dawson is a truthful individual?

25 A Yes.

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1 Q So you would expect Mr. Dawson to say that,
2 that if Debbie comes back on Wednesday to buy
3 American Medflight she's not only going got to pay
4 the 5.5 that she was offering to pay, she's now got
5 to pay the 3.6 on top of that?

6 A Yes.

7 Q Okay. Now did you think that the 5.5 was a
8 fair price?

9 A I really have no way of knowing that.

10 Q Your opinion of value, sir, in that time
11 frame, was it higher than 5.5 or lower than 5.5?

12 A To be truthful, I would say it would be
13 lower.

14 Q What did you think the company was really
15 worth at that time, sir?

16 A I really have no idea. I was not part of
17 the -- I had no financial information to make a
18 decision on that.

19 Q But you just told me that you thought the
20 value was lower than 5.5. Did I hear that correctly?

21 A Yes.

22 Q What did you think it was?

23 A I don't know, but I think it was lower.

24 Q Oh, come on. You told me that you had an
25 opinion --

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1 BY MR. HILL:

2 Q You and I have talked about these before.
3 Do you recall that, sir?

4 A Uh-huh.

5 Q Yes?

6 A Yes.

7 Q Okay. Let me direct your attention here to
8 this page. It's called Minor Revisions to Income Tax
9 Analysis from John Carstarphen. And then there is an
10 e-mail address of cessna185@sbglobal.net.

11 That was and still is your e-mail, isn't
12 it, sir?

13 A It's no longer.

14 Q Oh, it's not any more?

15 A No.

16 Q When did it cease to be your e-mail?

17 A I don't know. A year or two ago.

18 Q But on March 4th, 2006 that's what your
19 e-mail was?

20 A Yes.

21 Q Okay. And did you in fact send this e-mail
22 to Mark Gunderson and Jim Proctor on or about
23 March 4th, 2006?

24 A Yes, I believe so.

25 Q Okay. Hi, Mark and Jim. Attached is my

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1 A You asked me if it was higher or lower, and
2 I think it's lower.

3 Q How much lower? A million?

4 A I don't know.

5 Q 2?

6 A I have no idea.

7 Q Okay. Now you contend -- well, let's go
8 there for a minute.

9 Let's take a look at Exhibit 52,

10 Mr. Carstarphen. Are you at Exhibit 52,

11 Mr. Carstarphen?

12 A Yes.

13 Q About five pages down --

14 MR. RUSSO: Where did this memo come from?

15 Has this always been out there?

16 MR. HILL: Of course.

17 MR. RUSSO: This one here?

18 MR. HILL: Yes.

19 MR. RUSSO: The January 1, 2004?

20 MR. HILL: Yes. It's from the last case.

21 MR. RUSSO: Okay.

22 MR. HILL: Mr. Proctor came over with his
23 file and had these in his file.

24 MR. RUSSO: Okay. Good enough.

25

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1 revision to the income tax analysis.

2 Well, Mr. Carstarphen, did you have data to
3 make an income tax analysis, or not?

4 A Yes.

5 Q Okay. So you did have financial
6 information?

7 A I told you that.

8 Q No, you have been telling me all day that
9 you were denied financial information, sir.

10 A I was denied access to information in that
11 2004 range, and I started getting some information,
12 not a lot, but some; until today I have whatever I
13 have asked for.

14 Q Okay.

15 A I don't know why you don't understand that.

16 Q I'm sorry, sir. I can't explain that.

17 You did have sufficient information to do
18 an income tax analysis to calculate the worth of the
19 company; right? That's what you're telling these
20 guys.

21 A Yes.

22 Q Okay. Tell me the process you went through
23 to get to this. Because in the next sentence you
24 say: This shows an approximate net worth of AMF of
25 \$12 million, or my one-third share of \$4 million.

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1 A Uh-huh.
 2 Q Was that the number that -- were those the
 3 numbers that you came up with in March of 2006?
 4 A Yes, I did.
 5 Q Okay.
 6 A And it was very close to what Jim came up
 7 with, too, with the same information.
 8 Q So tell me the methodology that you used,
 9 Mr. Carstarphen.
 10 A I really don't even remember.
 11 Q Did you honestly think in March of 2006
 12 that American Medflight was worth -- had a net worth,
 13 a net worth of \$12 million?
 14 A That's what our analysis came up with.
 15 Whether I believed it or not, I don't know. I don't
 16 know if I had good information or I had bad
 17 information.
 18 Q Well, you had been to the meeting on
 19 December 5th, 2005 where the sale was discussed.
 20 Yes?
 21 A Yes, I was.
 22 Q And the value that was discussed at that
 23 meeting that Mr. Weinress came up with was
 24 \$5.5 million; wasn't it?
 25 A I don't believe I had that information

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1 until later. I don't know that at that meeting of
 2 December the 15th, or whatever it was, I don't
 3 believe there was a number available.
 4 Q Mr. Carstarphen, do you remember that a
 5 court reporter was there?
 6 A Yes, there was a court reporter there.
 7 Q And do you remember telling Mr. Milsner
 8 that you had received page 40 of an appraisal?
 9 A Oh, yes, I did.
 10 Q Okay. Does that refresh your recollection?
 11 A Yes.
 12 Q So you had Weinress \$5.5 million number,
 13 didn't you?
 14 A I presume so.
 15 Q Well, did you, or didn't you?
 16 A I believe that's what it was.
 17 Q Okay. Was this a major shock to you that
 18 the company was really worth \$12 million when the
 19 appraiser three months before is telling you that
 20 it's worth 5.5? Or did you know that all along?
 21 A No, I did not know that all along.
 22 Q You did think that the 5.5 was too cheap,
 23 didn't you?
 24 A I did believe it at that time.
 25 Q Okay. And you're now today thinking

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1 5.5 was too high? Or too low?
 2 A Yes. I think it's too high.
 3 Q So the value of the company was actually
 4 much lower, or lower than 5.5?
 5 A Yes. And the reason being is in the
 6 appraisal they dismissed any problems with the
 7 lawsuit and didn't take any valuation of that into
 8 account. They said it was of no problem, and it
 9 would be settled shortly. Or something to that
 10 effect.
 11 Q Well, the lawsuit did go away, didn't it?
 12 A Yes.
 13 Q So, Mr. Carstarphen, what happened between
 14 December 5th, 2005 and March 4th, 2006? That's about
 15 three months, isn't it, January, February, March,
 16 three months --
 17 A Yes.
 18 Q -- what happened to convince you that that
 19 company was now worth \$12 million? What happened?
 20 A It was just running the income tax numbers
 21 that we had. And I didn't even believe that, because
 22 something just wasn't adding up at all.
 23 Q Mr. Carstarphen, do you believe that the
 24 company was worth \$12 million in March of 2006?
 25 A No.

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1 Q So you were bullshitting Mr. Gunderson and
 2 Mr. Proctor?
 3 A No, I was showing a point.
 4 Q What was the point?
 5 A That the analysis that Mr. Proctor was
 6 coming up with was the same thing I was coming up
 7 with, or close to it --
 8 Q And you've just told me now that you don't
 9 believe that number; is that right?
 10 A No, I don't believe that number.
 11 Q So you don't believe Mr. Proctor's number
 12 either, do you?
 13 A I thought that there was something wrong
 14 with our analysis.
 15 Q And did you find out that there was
 16 something wrong with your analysis?
 17 A I don't know.
 18 Q Who would know, sir?
 19 A I don't know.
 20 Q Have you satisfied yourself that the
 21 analysis that your expert used throughout this whole
 22 matter is correct? Or he's wrong?
 23 A Do you think that Mr. Proctor's number is
 24 wrong?
 25 Q What I think doesn't matter. I want to

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1 know, is Mr. Proctor right or is Mr. Proctor wrong?
 2 A I believe Mr. Proctor is right in his
 3 current analysis in the report that he presented.
 4 Q Was he wrong in 2006?
 5 A I don't know that he was wrong.
 6 Q Okay. But we're in agreement that the
 7 12 million is wrong.
 8 A Yes.
 9 Q Okay. If you continue down, the last
 10 paragraph: Rob yesterday said we should make another
 11 settlement offer. Rich will not settle now.
 12 Did anybody tell you that?
 13 A No.
 14 Q So you just thought that up yourself?
 15 A Yes.
 16 Q However - can you tell me what's whited out
 17 there - However?
 18 A In these additional numbers presented my
 19 offer --
 20 Q -- my offer would be \$6 million.
 21 So how did you arrive -- now is that
 22 \$6 million damages, or is that to buy your stock?
 23 A To buy the stock.
 24 Q So in an analysis that you now disavow you
 25 thought your stock was worth 4 million, but you

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1 Q Well, then why did you tell your lawyer
 2 that you wanted \$6 million?
 3 A I didn't.
 4 Q Presented my -- However, in these
 5 additional numbers presented my offer would be
 6 \$6 million.
 7 Isn't that what it says?
 8 A Yes.
 9 Q Let's go back to the next to the last page
 10 in Exhibit 52, Mr. Carstarphen.
 11 Did you send this memo to Mark Gunderson on
 12 or about March 18, 2004, Mr. Carstarphen?
 13 MR. RUSSO: Let me just get one
 14 qualification, Richard.
 15 MR. HILL: Certainly.
 16 MR. RUSSO: You got these from Jim Proctor
 17 in a production?
 18 MR. HILL: I was sitting across this very
 19 table from Mr. Proctor, and I said: Is that your
 20 file? And he said: Yes. And I said: Can I see it?
 21 And he said: Yes, here you go.
 22 MR. RUSSO: So these were documents in the
 23 file that were produced to you as part of the expert
 24 documents. Okay.
 25 MR. HILL: Not this production.

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1 wanted an additional 2 million from Mr. Milsner; is
 2 that right?
 3 A I don't know.
 4 Q Well, who authored this memo,
 5 Mr. Carstarphen?
 6 A I did. I did.
 7 Q What did you mean?
 8 A We were talking about a settlement offer.
 9 Q How did you get to that number?
 10 A I don't know how I got to that number.
 11 Q Was there any support for it?
 12 A I don't know. This was back in 2006. And
 13 it's just a memo. This is no formal written offer,
 14 or anything.
 15 Q No, this is what you're telling your
 16 attorney you think your case is worth. Isn't that
 17 what this is?
 18 A Basically.
 19 Q Okay. And how did you come to the
 20 \$6 million value?
 21 A I don't know.
 22 Q Did you want to settle the case?
 23 A Yes.
 24 Q Did you think \$6 million was realistic?
 25 A No.

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1 MR. RUSSO: I understand.
 2 MR. HILL: The last case.
 3 MR. RUSSO: Okay. I just wanted to make
 4 sure there was a waiver there.
 5 MR. HILL: Oh, I don't know. I think so.
 6 MR. RUSSO: Well, if it was provided to the
 7 consultant --
 8 MR. HILL: I think so.
 9 BY MR. HILL:
 10 Q Mr. Carstarphen, do you recognize this
 11 memo?
 12 A Not really, but I'm sure it's mine.
 13 Q Okay. Item Number 5: The four invoices
 14 you reference, October through November 1998, these
 15 same invoices exist for each and every month to the
 16 present because I've seen most of them.
 17 Now these are the invoices for what?
 18 Aren't these the consulting fee?
 19 A Yes, I believe so.
 20 Q And you're telling your lawyer that you've
 21 seen most of them from October 1998 through March of
 22 2004. Now were you lying to him, or were you lying
 23 to me earlier?
 24 MR. RUSSO: Objection. Argumentative.
 25 THE WITNESS: The invoices in 1998, I was

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1 still the president of the company, and I would see
2 those. What's the problem?
3 BY MR. HILL:
4 Q These same invoices exist for each and
5 every month to the present --
6 A That's correct.
7 Q -- because I have seen most of them.
8 Was that statement you made to your lawyer
9 true?
10 A I haven't seen them; I've seen them in the
11 financial records --
12 Q That's not what it says.
13 A Well, maybe I didn't word it correctly.
14 Q Are there any other things you're mistaken
15 about, Mr. Carstarphen?
16 MR. RUSSO: There is no question.
17 THE WITNESS: I'm trying to explain myself,
18 and I don't think you're being very fair.
19 I told you that I saw the records in 1998
20 because I was president of the company and I had
21 access to the financials. When I say I've seen them,
22 it could be that I misspoke there, but I know that
23 they're there because I see them in the financial
24 statements.
25

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1 A Number 6?
2 Q The next sentence after the one I just read
3 to you, sir. Come on.
4 A In number 5?
5 Q Did you write to your lawyer, and did you
6 say: There are also records showing RFS paid to AMF
7 the interest to NSB owed by RFS on money borrowed
8 from AMF so AMF could pay the interest to NSB?
9 Did you write that to your lawyer?
10 A More than likely. You're talking about in
11 paragraph 6?
12 Q Hence - then you go on and say - Hence,
13 interest charges came from RFS to AMF and then to
14 NSB.
15 Mr. Carstarphen, do you hate
16 Richard Milsner so much that you're prepared to
17 commit perjury and make up facts, make up lies, to
18 try to get at him in this case?
19 MR. RUSSO: Objection. Argumentative.
20 Instruct the witness not to answer
21 MR. HILL: Your lawyer has instructed you
22 not to answer, sir.
23 Would you care to identify privilege, for
24 the record?
25 MR. RUSSO: The question is

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1 BY MR. HILL:
2 Q Did you misspoke in this letter, or did you
3 misspoke here earlier today?
4 A I misspoke in this letter.
5 Q Okay. Thank you.
6 Item number 6, the loans were made to RFS
7 using AMF \$300,000 line of credit, of which this
8 300,000 line of credit was part of the total
9 \$1.7 million personal guarantee of mine.
10 That's the line of credit you and I talked
11 about earlier this morning.
12 A Yes.
13 Q And you told me that you didn't believe
14 that Reno Flying Service had paid everything off. Do
15 you remember that?
16 A I didn't say that. I said I do not know
17 that it's ever been repaid or that the interest has
18 ever been repaid.
19 Q Would you read the next sentence in your
20 memo to Mr. Gunderson to me, please, sir? Please
21 read it out loud.
22 Sir?
23 A Say again?
24 Q I asked you to read the next sentence in
25 your memo to Mr. Gunderson. Read it out loud.

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1 argumentative --
2 MR. HILL: Okay.
3 MR. RUSSO: -- it's cumulative --
4 MR. HILL: Yes or no on privilege?
5 MR. RUSSO: It's argumentative, it's
6 cumulative --
7 MR. HILL: Okay.
8 MR. RUSSO: -- and with the three caveats
9 in there, are you willing to do this, this, this, and
10 this, and this; if you want to ask them individually,
11 I'm sure that he will answer them.
12 BY MR. HILL:
13 Q Sir, you do hate Mr. Milsner, don't you?
14 A No.
15 Q Your testimony that you gave to me this
16 morning is contrary to what's in your memo to
17 Mr. Gunderson. Yes?
18 A I don't believe so.
19 Q You think your testimony here today is
20 consistent with this memo of March 18th, 2004?
21 A I don't know. I would have to read this
22 thing.
23 Q Okay. And if you get the copy of this
24 deposition and your testimony is different -- oh,
25 never mind.

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1 All right. Now at the meeting -- have you
2 read the transcript of the December 5th meeting?
3 A I don't believe so.
4 Q Do you pay Mr. Russo and Mr. King by the
5 hour, or do they have this case on a contingency?
6 A I pay by the hour.
7 And there is no real reason for me to read
8 the transcript when I was there.
9 Q Did you at that point -- well, first of all
10 did you agree that AMF should have an ESOP?
11 A Yes.
12 Q You, on that record, told everybody at that
13 meeting that you had a ESOP for your business. Was
14 that true?
15 A Yes.
16 Q You told everybody that you understood
17 ESOPs. Was that true?
18 A I understand the concepts of an ESOP, but
19 I'm not an ESOP attorney.
20 Q Did you ask Mr. Milsner or Mr. Dawson any
21 questions prior to the meeting of December 5th, 2005
22 about the AMF ESOP, or ESOPs in general?
23 A Yes, I'm sure I did.
24 Q What questions did you -- well, did you ask
25 either of those gentlemen any questions about the

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1 ESOP, and that was the only consequences on the
2 books.
3 Q You understood before that meeting that the
4 ESOP did not have \$3.6 million; right?
5 A Yes.
6 Q You understood that Milsner was going to
7 get paid over time; did you not?
8 A I had no idea as to how much stock he was
9 going to sell. He could have only sold a portion of
10 it that the ESOP did have funds to buy. I had no
11 information as to what was going on. I had no
12 information that there was going to be a loan on the
13 company; nothing. There was no documents of any kind
14 presented there.
15 Q You thought your shares were worth
16 1 point -- you were being offered \$1.8 million for
17 your shares; isn't that the number?
18 A I was never offered anything.
19 Q Isn't that the number that was discussed,
20 sir?
21 A I believe that's correct.
22 Q Okay.
23 A But that was just taking one-third of the
24 5.5.
25 Q You understood that you could sell all of

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1 ESOP, AMF ESOP or ESOPs in general, that they refused
2 to answer?
3 A No. We had that ESOP for four years
4 probably prior to that, and we had many discussions
5 about ESOPs.
6 Q Did either gentleman give you any
7 misinformation about either the AMF ESOP or ESOPs in
8 general prior to or at the December 5th meeting?
9 A I would say no.
10 Q Okay. You contend that Milsner didn't give
11 you information that you needed to make a decision;
12 is that right?
13 A Yes.
14 Q What information was that, sir?
15 A Neither Mr. Milsner, the Weinress appraisal
16 company --
17 Q Weinress?
18 A Weinress, nor Menke, who was the
19 administrator, told me that my stock was going to go
20 down \$1.3 million.
21 Q What did you think the result of that
22 transaction was going to be on the balance sheet of
23 the books, sir?
24 A I thought that there was going to be a
25 transfer of the equity ownership from Milsner to the

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1 your stock for \$1.8 million to the ESOP, didn't you?
2 A I don't know what that number was. What's
3 one-third of 5.5?
4 Q I thought you had a clear recollection of
5 the meeting, sir.
6 A I did have a clear recollection of the
7 meeting.
8 Q Do you have a clear recollection of the
9 meeting as you sit here today?
10 A Pretty much so.
11 Q I mean, that's a meeting where you contend
12 you lost \$1.3 million. I would think that's pretty
13 crystal clear.
14 A It was not crystal clear at that point. It
15 wasn't until months later that I found out --
16 MR. HILL: Counsel - I'm sorry for
17 interrupting, sir - will you give him back that
18 binder, please.
19 BY MR. HILL:
20 Q Please open the binder to Exhibit 53,
21 Mr. Carstarphen, the last page.
22 Did you send this e-mail to Mark Gunderson
23 from your e-mail account of cessna185sbc@global.net on
24 Monday, December 5th, 2005 at 3:43 p.m.?
25 A More than likely.

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1 Q Well, let's not mince words. Is that a yes
2 or a no?
3 A I don't remember the document, but it's
4 signed by me, and it looks like it came from my
5 e-mail address.
6 Q Hi, Mark. Went pretty much as I had
7 expected.
8 What did you expect was going to happen?
9 A That Rich was going to sell stock to the
10 ESOP.
11 Q Okay. No surprises, and no revelations.
12 Now your testimony has been that before the
13 meeting Milsner told you that you could only engage
14 in a transaction with the ESOP on the condition he
15 dismissed your lawsuit. Isn't that your testimony,
16 sir?
17 A Yes, it is.
18 Q Now there was some discussion about money
19 being borrowed from banks. Do you remember that?
20 A Money being borrowed -- yes, there was some
21 discussion of it. That was called a leverage
22 buy-out.
23 Q What's a leverage buy-out, Mr. Carstarphen?
24 A It's where Milsner sells his stock to the
25 ESOP, and the bank loans the money to American

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1 Medflight to buy the stock.
2 Q Okay. Now that's not what we have here.
3 What we have here is Milsner provided seller
4 financing; isn't that right?
5 A Yes.
6 Q So that's not a leveraged ESOP, is it? By
7 your definition.
8 A We did not do the leverage buy-out.
9 Q What did you do? What did Milsner do --
10 A Milsner agreed --
11 Q -- what label would you put on it? It's a
12 non-leveraged buy-out?
13 A Yes.
14 Q Have you read Proctor's reports that he's
15 issued in this case?
16 A Yes.
17 Q Did you understand them?
18 A Pretty much so, I think.
19 Q Okay. Well, we're not going to get to his
20 report today, but I'm going to ask you next time we
21 get together to explain it to me, because I don't
22 understand it.
23 Now --
24 A I think he should explain it; not me.
25 Q Well, I'm going to give you a chance to

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1 explain it.
2 MR. RUSSO: And then I'll of course object
3 that it's --
4 MR. HILL: Of course. I would expect
5 nothing less.
6 BY MR. HILL:
7 Q You say in this first line: No surprises
8 and no revelations.
9 You didn't know before you went to that
10 meeting that Milsner was going to make a condition of
11 your participation that you had to dismiss the
12 lawsuit. You didn't know that before you got there,
13 did you?
14 A No.
15 Q No surprises; no revelations. It doesn't
16 say: Whoa, this guy told me I couldn't participate
17 unless I dismissed my lawsuit. That you thought was
18 worth \$2 million; right? On top of the 4 million for
19 your stock.
20 A I don't think that's a revelation.
21 Q Okay. It wasn't?
22 MR. RUSSO: Doesn't it say it right there?
23 MR. HILL: No. Well, we'll get there.
24 BY MR. HILL:
25 Q You do talk later down there about the

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1 condition, don't you?
2 A Yes.
3 Q Do you recall whether Milsner said that the
4 condition applied -- well, let me back up.
5 There were two ways this transaction was
6 proposed to you. Way number one, you could take the
7 promissory note on the same terms that Milsner was
8 getting --
9 A I knew nothing of a promissory note at that
10 time.
11 Q Okay. So you don't recall any discussion
12 where Mr. Milsner said to you that you could take a
13 promissory note on the same terms that he was
14 getting? You don't recall that?
15 A He never said anything like that. He said
16 to me that I could participate in the ESOP if I
17 dropped the lawsuit.
18 Q Period. Period.
19 A Period.
20 Q And it didn't matter whether it was what
21 you called the leverage where the money comes from
22 the bank --
23 A Yes.
24 Q -- or whether it was whatever he was going
25 to do, or he was going to be taking the note --

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1 A Yes.
 2 Q -- either way you had to dismiss your
 3 lawsuit first.
 4 A If I wanted to participate in the ESOP.
 5 Q Either way, either with the bank money or
 6 with the note.
 7 A Nothing was discussed of that. It was
 8 Just: If you want to participate in the ESOP, you
 9 have to drop the lawsuit.
 10 Q Okay. By that point in time your
 11 deposition had been taken in the first case; right?
 12 A I believe so.
 13 Q And Dawson's deposition had been taken;
 14 right?
 15 A I don't know, but I presume so.
 16 Q You understood how court reporters work.
 17 A Yes.
 18 Q They take this stuff down, and a Judge is
 19 going to believe that that's what's said. You
 20 understood that?
 21 A Yes.
 22 Q And you contend that this discussion that
 23 you had with Milsner was before the meeting; right?
 24 A It was a ten-second conversation before the
 25 meeting.

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1 A I don't know when.
 2 Q Did he tell you that before the meeting or
 3 after the meeting?
 4 A Before the meeting.
 5 Q Okay. Was it at his office or was it on
 6 the phone?
 7 A I have no idea.
 8 Q What were the circumstances where that came
 9 up?
 10 A I'm sure at some point we were discussing
 11 the ESOP.
 12 Q Were you getting advice from anybody about
 13 what the ESOP transaction would mean to you?
 14 A No.
 15 Q Why not?
 16 A I wasn't selling to the ESOP.
 17 Q Then why did you go to the meeting?
 18 A Because I was requested to go to the
 19 meeting.
 20 Q When you went to the meeting did you want
 21 to sell your shares to the ESOP, or not?
 22 A No.
 23 Q Okay. So it didn't matter then whether
 24 Milsner put a condition on it or not, did it --
 25 A No.

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1 Q Okay. And who were the participants to
 2 that conversation?
 3 A Rich Milsner and myself.
 4 Q Where was Dawson?
 5 A What?
 6 Q Where was Jack Dawson?
 7 A I have no idea.
 8 Q My associate Casey Baker was at that
 9 meeting. Was he anywhere nearby?
 10 A No one was nearby.
 11 Q So if Milsner denies it, then we just have
 12 your word and his word.
 13 A Yes.
 14 Q Okay. Did you send -- did you instruct
 15 Mark Gunderson to send a letter to Cashill or me or
 16 Milsner or anybody to confirm that conversation that
 17 you had?
 18 A No. Why?
 19 Q Why not?
 20 A Why would I want to do that?
 21 Q You wanted to make the deal with the ESOP,
 22 didn't you?
 23 A I was told by Mark Gunderson that if I sold
 24 my stock to the ESOP the lawsuit would go away.
 25 Q Okay. When did he tell you that?

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1 Q -- because you didn't want to sell.
 2 A I was told that if I sold my stock to the
 3 ESOP I would be out of the, I would not have - I
 4 don't know what you call it - an interest in the
 5 company, and couldn't continue the lawsuit.
 6 Q Okay. And based on that -- and you thought
 7 that lawsuit was worth 2 million bucks. Based on
 8 that you didn't want to sell the ESOP because you
 9 wanted to keep your lawsuit going; right?
 10 A I didn't want to give up the lawsuit.
 11 Q And you knew, your attorney had told you
 12 that if you gave up the lawsuit, if you gave up
 13 the -- if you sold to the ESOP you gave up the
 14 lawsuit.
 15 A That's what he told me.
 16 Q Hand-in-hand, if you sell you lose the
 17 right to the lawsuit.
 18 A That's correct.
 19 Q And that was unacceptable to you because it
 20 was worth 2 million bucks; right?
 21 A 2 million bucks? My stock was worth
 22 2 million.
 23 Q Your stock was worth 4 million; don't you
 24 remember your memo?
 25 A My stock was worth 2 million.

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1 Q Okay. It was worth 2 million. And your
2 lawsuit was worth another 2; wasn't it?
3 A I don't know.
4 Q What did you think the lawsuit was worth,
5 Mr. Carstarphen? Before you walked in the door to go
6 to that meeting, you thought you had -- you had
7 \$2 million worth of stock; is that right? That's
8 what you just told me. Do you want to take that
9 back?
10 A Two-thirds of the 5.5. I don't know what
11 that number is.
12 Q 1.8.
13 A Okay. Then that's what it is, if you tell
14 me.
15 Q Okay. And you also owned a lawsuit against
16 Hilsner, didn't you? What did you think that was
17 worth?
18 A It hasn't been worth anything.
19 Q Do you understand that ANF, because of your
20 lawsuits, has shelled out three-quarters of a million
21 dollars in attorney's fees? Do you understand that?
22 A I don't doubt that at all.
23 Q What do you think the reaction is going to
24 be of Joe ESOP, who works for American Medflight,
25 when he finds out that one of the directors of the

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1 MR. HILL: Okay.
2 BY MR. HILL:
3 Q What are the terms and conditions that you
4 have with them?
5 MR. RUSSO: Objection. Attorney/client
6 privilege. Instruct the witness not to answer.
7 MR. HILL: Counsel, attorney's fees --
8 BY MR. HILL:
9 Q Do you think the Judge should award you
10 attorney's fees? Do you know?
11 A I don't know.
12 Q Okay. Well, we'll be together for another
13 session.
14 All right. So when you go to this meeting
15 you've been informed by your attorney that if you
16 sell to the ESOP your lawsuit goes away; right?
17 A I didn't think -- he didn't inform me
18 before that. I think I believed that.
19 Q What was your source of information for
20 that belief, sir?
21 A I believe I got that information from
22 either Mark Gunderson or, what's his name, SanJay?
23 SanJay? What is his name?
24 Q Somebody that worked for Gunderson?
25 A Yes.

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1 company brought two frivolous lawsuits against the
2 company that cost it three-quarters of a million
3 dollars? What do you think their response is going
4 to be? Do you think they're going to sue
5 Jack Dawson?
6 A This is not a frivolous lawsuit --
7 Q Okay. So tell me --
8 A -- and I've spent an equal amount of that.
9 And of that three-quarters of a million dollars
10 you're saying has been paid in attorney's fees, I
11 have paid one-third of that.
12 Q You have, sir. And thank you.
13 Now what did you think that lawsuit was
14 worth when you walked in the door for that meeting?
15 A I have no idea.
16 Q You and your counsel had discussed it;
17 hadn't you?
18 A I don't believe so.
19 Q Okay. Now are you paying Mr. King and
20 Mr. Russo by the hour?
21 A Yes.
22 Q How much have you paid them so far in this
23 case?
24 MR. RUSSO: Objection. Attorney/client
25 privilege. Instruct the witness not to answer.

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1 Q Oh, okay.
2 A The attorney.
3 Q Somebody from that office --
4 A Yes.
5 Q -- told you that?
6 Okay. And how much did you have invested
7 in your lawsuit at that point in time?
8 A I don't know.
9 Q A couple hundred thousand dollars?
10 A I don't know. That number is not
11 unreasonable, in that range.
12 Q Okay. In attendance was myself, Rich, and
13 Jack, a representative from Hill's office, another
14 attorney who said he was representing Rich, and a
15 court reporter.
16 Wasn't it John Fowler who represented ANF?
17 A I don't know.
18 Q Do you know if Fowler was there?
19 A I didn't know him at that time.
20 Q Do you know him now?
21 A I don't know. I think I got him confused
22 with somebody else.
23 Q Do you know Todd Ratfield? Do you know who
24 he is?
25 A I've heard the name.

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1 Q Was he there at that meeting?
 2 A I don't know.
 3 Q I'll go through the items as Jack laid out
 4 in the notice.
 5 First of all they want to sell the existing
 6 aircraft and get King Air C-90's because of the
 7 trouble getting parts, and they want me to sign on
 8 the notes.
 9 So you did at least have that discussion at
 10 that meeting that they wanted you to sign on the
 11 notes.
 12 A Yes.
 13 Q Did you tell them you would or wouldn't?
 14 A I don't remember what I told them.
 15 Q Okay. You don't remember one way or the
 16 other?
 17 A I don't remember one way or the other.
 18 Q Okay. So if Dawson testifies that you
 19 refused --
 20 A I probably would have refused --
 21 Q Okay.
 22 A -- but I don't know that I said it at the
 23 meeting.
 24 Q Okay. 2003, 2004, and 2005 contribution to
 25 the ESOP is approximately \$540,000, and Rich wants to

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1 Q And the ESOP doesn't have money allocated
 2 right now; does it?
 3 A I have no idea. I don't see the books and
 4 records.
 5 Q You know that the AMF ESOP is having
 6 trouble paying Milsner. You know that; don't you?
 7 A It was delinquent on its payments for two
 8 years, but it's now current.
 9 Q You know that it's had trouble making
 10 payments; don't you?
 11 A In the past. But not now.
 12 Q And what changed?
 13 A The note that Milsner had with the company
 14 was renegotiated to something that it could pay.
 15 Q And if the three-quarters of a million
 16 dollars in cash that AMF has had to pay came back
 17 into the company, do you have an opinion as to
 18 whether or not AMF, the AMF ESOP could make those
 19 payments?
 20 A As far as I know, AMF is currently making
 21 the payments to Rich Milsner.
 22 Q And those payments are substantially
 23 reduced; aren't they?
 24 A I don't have information as to them. I
 25 haven't seen any of the documentation.

206

1 sell some of his stock to the ESOP before the end of
 2 the year.
 3 A Yes, that's what I understood.
 4 Q Okay. What difference did it make to you
 5 whether he sold some or all. Did it?
 6 A Really at that time it didn't, but I didn't
 7 realize the implication of him selling it all.
 8 Q Did you understand -- well, I'm
 9 Joe Six-Pack, I work at American Medflight, and I'm
 10 part of the ESOP. How do I get my money out?
 11 There's three ways I leave the company:
 12 If I die, if I retire, or I get fired. Okay? Do you
 13 agree with me? Those are the three options; right?
 14 A Yes.
 15 Q Okay. How do I get my money, when I do one
 16 of those three things, if I'm Joe Six-Pack? Do you
 17 know?
 18 A The money has to -- there has to be a slush
 19 fund in the ESOP to pay out those fees.
 20 Q Does the AMF ESOP have a slush fund, sir?
 21 And I presume, you don't mean to make it
 22 like a bad slush fund, you just mean cash laying
 23 around; or do you mean a slush fund used for improper
 24 purposes?
 25 A No, I mean allocated money.

208

1 Q You're aware of a check written by Milsner
 2 to himself on an American Medflight account in the
 3 amount of \$100,000; aren't you?
 4 A Yes. I was told by Jack Dawson.
 5 Q And when Mr. Dawson told you about that,
 6 was that Mr. Milsner did it last week, Mr. Milsner
 7 did it last month, Mr. Milsner did it last quarter,
 8 or Mr. Milsner did it today or yesterday? Give me
 9 the time frame on what he told you.
 10 A I don't think he told me when he did it,
 11 but I assumed it was probably within a month of when
 12 he told me.
 13 Q He told you immediately when he found out,
 14 didn't he?
 15 A I don't know.
 16 Q Okay. Did you and he discuss that this was
 17 now an opportunity to renegotiate Milsner's note to a
 18 lower payment?
 19 A Because of the hundred thousand dollars?
 20 Q You had that discussion with him, didn't
 21 you?
 22 A No, I don't think so. But we had been
 23 talking for a number of times before this 100,000,
 24 and I'm sure afterwards, of renegotiating the terms
 25 and conditions of that note.

209

1 Q Your testimony is that you and Dawson did
2 not discuss that that was an opportunity to get
3 Hilsner in a corner and take a lower payment amount.
4 Did you and he have that discussion at that time or
5 not?

6 A No.

7 Q Okay. That's fine.

8 Now did you read this --

9 A Let me clarify something.

10 Q Please. Please.

11 A I believe that Jack had talked with Rich
12 shortly after the 2005 meeting when the documents
13 showed up that he didn't think the company could make
14 those payments and wanted to renegotiate a loan at
15 that time, and it was refused.

16 Q Where was the company -- the company was
17 short on cash, wasn't it?

18 A Yes.

19 Q Okay. Now did you read the ESOP stuff that
20 was sent to you?

21 A What ESOP stuff?

22 Q Well, let me back up.

23 Was any material pertaining to the ESOP
24 provided to you by anybody on the planet before that
25 December 5th meeting?

211

1 Q Okay. Do you know, does American Medflight
2 -- did you read this when you got it? Exhibit 64? I
3 mean I've only included a couple of pages here; it's
4 a big, thick sucker. Did you read it when you got
5 it?

6 A I don't know that I did.

7 Q Did have you questions when you read it?

8 If you read it?

9 A Anybody that's dealt with an ESOP has lots
10 of questions.

11 Q What did you do to get your questions
12 answered, sir?

13 A I would talk to Mr. Menke from
14 time-to-time, or what was his name -- Coltman.

15 Q Coltman? Bachman?

16 A Not Bachman, Lyle Coltman.

17 Q Kyle Coltman?

18 A Kyle.

19 Q With a K?

20 A Kyle. Kyle. That's it.

21 Q What did you and Mr. Coltman talk about, do
22 you remember?

23 A We had many conversations over the years.

24 Q How many ESOPs did you have? This is dated
25 December of 2003. How many ESOPs had you been

210

1 A Like I said, I think the ESOP was in effect
2 for 3 or 4 years before that, and I'm sure I had got
3 information on ESOP.

4 Q Okay. Did you read it all when you got it?

5 A I'm sure I did.

6 (A copy of a multi-page document
7 entitled American Medflight Employee
8 Stock Ownership Plan, was marked
9 Exhibit 64 for identification.)

10 BY MR. HILL:

11 Q Let me hand you what we've marked as
12 Exhibit 64, Mr. Carstarphen. Have you ever seen this
13 document before?

14 Do you recognize this as the first couple
15 of pages of the American Medflight Employee Stock
16 Ownership Plan?

17 A Uh-huh.

18 Q Yes?

19 A Yes.

20 Q Okay. Do you know what a put is?

21 A A put?

22 Q A put.

23 A Yes.

24 Q What is a put?

25 A That's selling a thing short.

212

1 involved with at that time?

2 A I think this was the only one.

3 Q When did the ones come along for your
4 company?

5 A I don't know the date.

6 Q Before or after this?

7 A I'm sure it was afterwards.

8 Q Did you ever talk with Hilsner about any of
9 the terms of the employee stock ownership plan?

10 A We had it for 3 or 4 years, I'm sure we
11 did.

12 Q Tell me every conversation you had with
13 Hilsner about the AMF ESOP.

14 A I have no idea.

15 Q Can you recall, as you sit here today, can
16 you recall the content of one conversation --

17 A No.

18 Q -- that you had with Mr. Hilsner before the
19 December 5th meeting pertaining to the American
20 Medflight ESOP?

21 A Recently before the '05 meeting?

22 Q Let's get our -- let's focus; okay?

23 We've got the December 5th, 2005 meeting
24 that we've been talking about.

25 A Yes.

213

1 Q Before that time I would like you to tell
2 me one conversation you had with Milsner about the
3 AMF ESOP. Can you do that?
4 A No.
5 Q Was there one?
6 A I'm telling you that we had conversations
7 about ESOPs over a three or four-year period.
8 Q Okay.
9 A There was no conversation with Mr. Milsner
10 about this, other than he was talking about doing a
11 leveraged buy-out, and he was going to get offers
12 from banks to do so.
13 Q Okay. The whole purpose of the ESOP was to
14 get somebody to buy your stock, wasn't it?
15 A Yes.
16 Q I mean, that's why you filed the first
17 lawsuit, wasn't it, because you wanted somebody to
18 buy your stock.
19 A No.
20 Q That wasn't your goal?
21 A No.
22 Q Okay. Let's look at page AMF 02587 in
23 Exhibit 64, sir.
24 A What page, the number again?
25 Q 587.

215

1 as a matter of accounting practice, or do you believe
2 that it's the guarantee?
3 A I don't know either of those.
4 Q Well, you believe that the debt to Milsner
5 has somehow come through and bit you; right?
6 A Yes.
7 Q And that's because the \$3.3 million in debt
8 is on the balance sheet of the company; right?
9 A Yes.
10 Q Why is it there? Do you know?
11 A Because the company took on this debt.
12 Q Did it take on the debt by reason of the
13 fact that it established the ESOP, or did it take on
14 the debt because AMF guaranteed it; do you know?
15 A No.
16 Q You signed the resolution to adopt the
17 ESOP, didn't you?
18 A Yes.
19 Q As a director of the company you thought
20 that was a good thing to do.
21 A Yes, I did.
22 Q Why?
23 A Because I thought it would give the
24 employees something rather than selling it out to a
25 third-party.

214

1 Are you with me?
2 A Yes.
3 Q Section 16, Rights and Options on
4 Distributed Shares of Company Stock. Do understand
5 that to be referring to stock that's vested in
6 employees of the ESOP?
7 A I don't understand that.
8 Q That's not what you understand that to be
9 referring to?
10 A I don't know what it means.
11 Q Let me read the -- it says (a): Put
12 Option: If the distribution of the plan benefit is
13 made in the form of shares of company stock, and if
14 such company stock is not immediately repurchased by
15 the company or the trust, then the qualified holder
16 of such stock shall be granted at the time that such
17 shares are distributed to the qualified holder an
18 option to put the shares to the company; provided,
19 however, that all such shares are so put.
20 Did you read that before I just read it to
21 you? Did you ever see that?
22 A Not really.
23 Q Did you have an understanding -- has
24 anybody ever told you that AMF has to recognize the
25 ESOP obligation to Milsner on its books and records

216

1 Q Did you think in the long-run it would be
2 good for the company?
3 A Yes.
4 Q Do you still think that today?
5 A Yes.
6 Q And did you make any inquiry of anybody
7 about what the financial impact would be on the
8 company before you agreed to the formation of the
9 ESOP?
10 A No.
11 Q You did understand that the proposal was
12 that American Medflight was going to guarantee the
13 obligation. You did understand that --
14 A No.
15 Q -- before you went to the meeting, didn't
16 you?
17 A No.
18 Q When was the first time you heard about
19 that?
20 A I heard about that sometime in January or
21 February when the documents came through.
22 Q When you say, "the documents came through,"
23 what do you mean? Do you mean the second Weinress
24 appraisal?
25 A The second Weinress appraisal.

217

1 Q Okay. That was your first notice?

2 A And I don't know when Jack got the ESOP

3 documents, the sale documents, you know, the transfer

4 and all that.

5 Q As a director of the company, you were a

6 director back then and you're a director today, do

7 you think you have an obligation to read the things

8 that you are voting on?

9 A I don't believe I was a director then.

10 Q You're a director today.

11 A Yes.

12 Q Do you believe that you have an obligation

13 to read the data that's provided to you that's

14 pertinent to decisions that you're going to make

15 relating to the company?

16 A Yes.

17 Q And if you don't understand it, do you have

18 an obligation to ask questions?

19 A ESOP is not one that you're going to figure

20 out in a couple of hours. This is a long -- I've

21 been at this ESOP thing, I don't know, for 4 or

22 5 years, and I still don't know everything.

23 Q Do you as a director have an obligation to

24 the shareholders, in your opinion, to read the data

25 provided to you and to ask questions of people if you

219

1 Q If his advice makes sense to you and you

2 don't see any red flags is it reasonable to go

3 forward?

4 A Yes.

5 Q Okay. Did you have any -- did you see any

6 red flags before you went to that meeting in December

7 of 2005?

8 A No, I did not see any red flags.

9 Q Do you have any reason to think that -- do

10 you think that Milsner knew something about the

11 ESOP -- let me back up.

12 Do you contend that Milsner knew that the

13 sale of his stock would cause a problem, and didn't

14 tell you about it?

15 A I certainly do.

16 Q On what facts do you base that, sir?

17 A I have none. Other than the character of

18 Mr. Milsner.

19 Q Okay. So you don't have any memo to that

20 effect?

21 A No.

22 Q You don't have any letters, e-mails,

23 telegrams?

24 A No.

25 Q Has anybody ever told you that?

218

1 don't understand it before you vote on it?

2 A This is why we have people like Menke to

3 advise us. I'm not an ESOP attorney.

4 Q Okay. Nor am I, thank God.

5 Do you think it was reasonable for you to

6 rely on guidance -- as a director -- for you to rely on

7 guidance from Menke?

8 A Yes.

9 Q Was it reasonable for Milsner to rely on

10 guidance from Menke?

11 A I don't know.

12 Q Well, if it was reasonable for you, why

13 wouldn't it be reasonable from him?

14 A I can't answer for him.

15 Q Tell me why he's held to a different

16 standard than you, in your opinion?

17 A I didn't say he was held to a different

18 standard. I mean, where he gets his advice is his

19 business, not mine.

20 Q As a director of the company do you think

21 it's reasonable for you to hire a professional and

22 follow his advice?

23 A It's reasonable for me to hire a

24 professional. I don't necessarily have to follow his

25 advice.

220

1 A Told me what?

2 Q That Milsner knew and hid it from you? Has

3 anybody ever told you that?

4 A No.

5 Q You just think because he's a rotten SOB

6 that he must have known and he must have withheld it

7 from you; Is that right?

8 A If it follows the pattern of the previous

9 years, I would say so.

10 Q And that's all you have to support that

11 assertion, isn't it?

12 A That's correct.

13 Q Now your testimony is that you have no data

14 available to you that there was going to be a

15 guarantee; is that correct, sir?

16 A That's correct.

17 (A copy of a document entitled

18 Defendant's Declaration and

19 Identification of Documents and Items

20 was marked for identification.)

21 BY MR. HILL:

22 Q Let me show you Exhibit 65,

23 Mr. Carstarphen.

24 Mr. Carstarphen, we've talked earlier today

25 about Bates stamping, and that kind of stuff. You

221

1 know what that is; right?

2 A Yes.

3 Q I'll tell you that right here on Exhibit 65

4 this is a document that my office prepared confirming

5 documents that were sent out on May 3rd, 2006 to your

6 lawyer's office.

7 And continue to the back. Do you see where

8 it says RFS 00705?

9 A Yes.

10 Q Did you see this letter on or about

11 December 5, 2003, the one that's Bates stamped 00706?

12 A I don't know.

13 Q Mr. Carstarphen, in the binder that

14 Mr. Russo has, let's jump to that for just a minute.

15 MR. HILL: Can you hand that to him?

16 MR. RUSSO: Sure. Which one?

17 MR. HILL: Exhibit 33, it's the minutes of

18 the 17th meeting of the board of directors of

19 American Medflight.

20 MR. RUSSO: And start with what page?

21 MR. HILL: It's the last two pages.

22 MR. RUSSO: Okay.

23 BY MR. HILL:

24 Q Okay. December 9, 2003. Do you see down

25 in the body it says: Now, therefore, be it resolved

223

1 very well be there. I don't have it. That's a long

2 time ago.

3 Q You were at the meeting, it was discussed,

4 it was agreed, and you signed those minutes, didn't

5 you?

6 A Yes.

7 Q And it's got you listed as a director and a

8 vice president.

9 A Yes.

10 Q And do you have the documentation that was

11 handed out before that meeting?

12 A I don't know.

13 Q Okay. Let me direct your attention -- do

14 you have Exhibit 65, Mr. Carstarphen?

15 There you go. It's that guy right there.

16 Turn to page 00707. The bottom of the

17 page -- are you on page 077?

18 A Uh-huh.

19 Q Okay. Item Number 5: The loan would be

20 guaranteed by the company.

21 Do you see that?

22 A Uh-huh.

23 Q Okay. That's a yes?

24 A Yes.

25 Q Thank you.

222

1 the minutes of the 16th meeting of the board of

2 directors shall be adopted and placed in the

3 corporate minute book. Do you see that?

4 A Uh-huh.

5 Q Okay. Then the next thing it says: It was

6 discussed to sell the corporation to the employees

7 through an ESOP plan to be administered by Menke &

8 Associates to be concluded on or before December 31,

9 2003, at a cost of administration not to exceed

10 \$9,000, and document costs not to exceed \$4,000. It

11 was also discussed to change the corporation tax

12 status to a C Corporation, as required by the ESOP.

13 Were you a party to that conversation on

14 December 9th, 2003?

15 A Yes.

16 Q Did you have this letter here that we were

17 just talking about from Menke dated December 5, 2003

18 in front of you at that meeting?

19 A I don't know.

20 Q Well, what were you voting on?

21 A To form an ESOP.

22 Q Well, it talks about Menke, doesn't it?

23 A Yes.

24 Q Okay.

25 A I don't recall that letter, but it could

224

1 You understood the loan to be a loan that

2 the company is going to make so the employees can buy

3 the company?

4 A Yes.

5 Q Somebody, either the company is going to

6 loan the money or you, the shareholders, are going to

7 loan the money; right? But in any event, that loan

8 is going to be guaranteed by the company; right?

9 A Yes.

10 Q If you had this letter, if you read it, you

11 knew that; right?

12 A Right. But I didn't know how much stock.

13 I assumed what he said when he was going to sell some

14 of his stock, he was going to sell as much as we had

15 money in the ESOP to buy.

16 Q The meeting we're talking about now, sir,

17 is the December 5th -- is December 9, 2003 when the

18 ESOP was approved.

19 Now you didn't want to sell just some of

20 your stock, you wanted to sell all of your stock,

21 didn't you?

22 A I didn't want to sell any of the stock.

23 Q Then --

24 A What meeting, at what time are you talking

25 about?

225

1 Q Right here, sir, the 17th meeting of the
2 directors of American Medflight. This one right
3 here. You wanted --
4 A This is when we formed the ESOP.
5 Q And it was formed because you wanted to
6 sell your stock.
7 A It wasn't just me. Rich and me wanted to
8 sell the stock to the ESOP.
9 Q You wanted out. You were locked in with
10 the most dishonest person you've ever met, weren't
11 you, Rich Milsner; you were locked in with him and
12 you wanted out.
13 MR. RUSSO: Objection. Argumentative.
14 BY MR. HILL:
15 Q Isn't he the most dishonest person you've
16 ever met?
17 A I don't know.
18 Q Who have you met that's more dishonest than
19 Richard Milsner?
20 A I don't know.
21 Q Okay. You wanted out, didn't you?
22 A I wanted to sell my stock to the ESOP.
23 Q And you wanted to sell all of it, didn't
24 you?
25 A I don't know at that point.

227

1 do.
2 Q And what did you base that on, sir?
3 A Information that Menke had provided in
4 little brochures and different little, tiny pamphlets
5 that gave an idea of what an ESOP is and how it
6 works. At that time I had no clue what an ESOP
7 really was and how difficult it really is.
8 Q But you nonetheless went ahead and voted
9 for it for the company, didn't you?
10 A Yes, I did.
11 Q Do you bear any responsibility if that was
12 a bad decision?
13 A I don't believe it was a bad decision.
14 Q It cost you a million three.
15 A It did. But I don't believe it was a bad
16 decision.
17 Q Okay. All right. Let's go back to
18 Exhibit 53, Mr. Carstarphen. We went off on a
19 tangent there. Let's go back to where we were.
20 A What exhibit?
21 Q 53, sir.
22 Are you with me, Mr. Carstarphen? Oh, the
23 last page of Exhibit 53. My mistake. This is the
24 one that's Bates stamped AMF 59782. Is that right?
25 A Yes.

226

1 Q Why in the world -- okay. Okay. So you
2 were willing then to --
3 A This is when we were forming the ESOP. I
4 had no idea even what an ESOP was hardly at this
5 point.
6 Q No, but you knew that Milsner and Dawson
7 were raping the company, didn't you?
8 A Yes.
9 Q You knew that in December of '03; you knew
10 that.
11 A Yes.
12 Q So your testimony is that you were willing
13 to sell some of your stock, but you were willing to
14 hang out with these guys that, well, they're going to
15 rape the company and hurt you. Is that your
16 testimony?
17 A No, it's not my testimony --
18 Q Okay. So how much of your stock --
19 A -- you're putting words in my mouth.
20 Q How much of your stock did you want to
21 sell?
22 A At that point I had no idea how the whole
23 thing even worked.
24 Q Then why did you vote for it?
25 A Because I thought it was a good thing to

228

1 Q Okay. You say: 2003, 2004, and 2005
2 contribution to the ESOP is approximately \$540,000
3 total, and Rich wants to sell some of his stock to
4 the ESOP before the end of the year. Hence, the need
5 to get item 4 revised.
6 What was item 4? Do you remember?
7 A No.
8 Q Let's go to the preceding page. That's
9 Bates stamp number AMF 59781. Do you see item --
10 this is the notice of stockholder meeting, isn't it?
11 A Yes.
12 Q You got this and went to the meeting.
13 A Uh-huh.
14 Q Yes?
15 A Yes.
16 Q Thank you.
17 Item number 4: Amendment to the bylaws of
18 the company to exempt sales to ESOPs from the
19 requirements in Section 1.14 and 8.1 to offer the
20 shares to the corporation and the other stockholders
21 first.
22 That was Item number 4; wasn't it?
23 A Yes.
24 Q And that needed to be fixed so -- that
25 needed to be changed because up until that point you

229

1 had had a right of first refusal --
 2 A Right.
 3 Q -- as had the company.
 4 A Right.
 5 Q Okay. And that was changed. And you go on
 6 and you say: We voted on item 4. You say: Rich
 7 voted yes. Is that what it says? It just says:
 8 Rich, yes. And it says: I "obtained." Do you mean
 9 "abstained"?
 10 A Yes.
 11 Q When you abstain, Mr. Carstarphen, does
 12 that mean you're against it, or does that mean you're
 13 just taking no position at all?
 14 A It means I'm not taking any position at
 15 all.
 16 Q Okay. And so you're not going to vote one
 17 way or the other.
 18 A I was not going to vote yes or no.
 19 Q Okay. What did you think was going to
 20 happen -- I mean at that meeting you knew Milsner
 21 owned two-thirds of the shares.
 22 A Yes.
 23 Q So did you say to him: But wait a minute,
 24 Mr. Milsner, I would like to keep my right of first
 25 refusal; or were you willing to give it up?

231

1 be.
 2 Q Did you say that to Mr. Milsner?
 3 A No.
 4 Q Did you ask them to postpone the meeting so
 5 you could have time to talk to an advisor?
 6 A No.
 7 Q Now Mr. Carstarphen --
 8 A You have to realize, he had two-thirds of
 9 the vote, so whichever way it was going to go he had
 10 the control of it.
 11 Q You told me this morning that Milsner - and
 12 I'll put words in your mouth here - Milsner has never
 13 told you the truth once. Maybe that's a little
 14 strong, but you didn't trust him. You knew he was
 15 not trustworthy. And you sit down at a meeting, and
 16 you're willing to just go with the flow with a guy
 17 that you don't understand -- or you don't trust?
 18 That's what you're telling us here today?
 19 A I'm telling you that it wouldn't make any
 20 difference whatever I did.
 21 Q So why did you even bother to go to the
 22 meeting?
 23 A Because I was asked to go to the meeting.
 24 Q Now you had Mr. Gunderson working for you
 25 at that time?

230

1 A I did not vote yes, and I didn't vote no.
 2 Q Did you say that you were opposed to doing
 3 away with the right of first refusal, rights of first
 4 refusal attached to the stock in the company?
 5 A If I was opposed, I would have voted no.
 6 Q Okay. And if you were in favor of it, you
 7 would have voted yes?
 8 A Yes.
 9 Q So what does abstaining mean here? You
 10 didn't care?
 11 A It means that I was not going to vote on it
 12 because I didn't understand all the ramifications to
 13 this.
 14 Q Did you, at any point prior to the
 15 conclusion of that meeting on December 5th, 2005, say
 16 to Mr. Milsner: I don't understand. Did those words
 17 come out of your mouth?
 18 A I don't believe so.
 19 Q But as you sat there you knew you didn't
 20 understand?
 21 A No.
 22 Q Well, then why did you abstain? I thought
 23 you just told me it was because you didn't know; you
 24 didn't understand.
 25 A I didn't know what the ramifications would

232

1 A Yes.
 2 Q You had Mr. Proctor working for you at that
 3 time?
 4 A I don't know.
 5 Q You had other people in Gunderson's office
 6 working for you at that time?
 7 A Yes.
 8 Q And your testimony is you did not -- or did
 9 you consult with them about anything pertaining to
 10 the ESOP before you went to this meeting?
 11 A I don't believe so.
 12 Q Did they tell you: We don't represent you
 13 in relation to the ESOP?
 14 A Say again?
 15 Q Did they say they wouldn't represent you in
 16 relation to the ESOP?
 17 A No. I think Mark told me, he says: Go to
 18 the meeting and see what they have to say.
 19 Q Did you have the feeling -- did Mark say to
 20 you that he was qualified to represent you in
 21 relation to the ESOP matter?
 22 A No.
 23 Q Did he say he wasn't qualified?
 24 A I don't think the subject came up.
 25 Q So he didn't say to you: You know,

233

1 Mr. Carstarphen, I think we ought to get some help
2 here?
3 A No.
4 Q Did you ask Mr. Gunderson what the effects
5 and ramifications were going to be of Item number 4?
6 A No.
7 Q Why not? He's your lawyer, you've paid him
8 a couple hundred thousand dollars up to that point in
9 time, what's a couple more bucks to get something
10 that you're going to -- so that you can understand
11 it?
12 A I don't know.
13 Q Okay. Hence, it passed. I will fax you a
14 copy of the resolution. This does not hurt me in any
15 way.
16 Well, you understood, did you not, that
17 your right of first refusal was gone. Right?
18 A Yes.
19 Q Okay. And you had enough information to
20 determine that that didn't hurt you.
21 A I didn't feel at that time it would hurt
22 me.
23 Q Okay. Were you right?
24 A No.
25 Q You were wrong?

235

1 Q And you would have also gotten a third of
2 the \$540,000 that the ESOP had in the bank, wouldn't
3 you?
4 A Yes.
5 MR. HILL: Okay. So help me with the math,
6 Scott.
7 MR. RUSSO: About 500.
8 MR. HILL: That's fair.
9 BY MR. HILL:
10 Q Let's call it roughly \$500,000 was coming
11 your way if you wanted to sell your stock to the
12 ESOP; right?
13 A Yes.
14 Q And Milsner told you: He said there was
15 one stipulation, is I drop the lawsuit by the end of
16 December. So that was for you to get the cash.
17 A Yes.
18 Q Okay. Which I am not going to do.
19 A Yes.
20 Q Okay. You don't, in this memo any place
21 say: But he told me before the meeting I couldn't
22 participate anyway before the meeting. You don't say
23 that in here; do you?
24 A I don't know.
25 Q Well, read it and tell me if it's in there.

234

1 A Yes.
2 Q And is it Milsner's fault that you were
3 wrong?
4 A No.
5 Q Okay. Item Number 3: LOC -- Is that line
6 of credit, Mr. Carstarphen?
7 A Yes.
8 Q Okay. Item 3: Line of credit for
9 \$350,000, and Rich wants me to sign on the line of
10 credit, which I will not do with the lawsuit.
11 So you've said no.
12 A Yes.
13 Q Okay. Then the next paragraph you say:
14 Rich has obtained two offers to loan money to the
15 ESOP, Merrill Lynch 1 million, and Diablo Valley Bank
16 for 2 million. Rich has agreed to a loan of
17 \$1 million with his personal guarantee, of which I
18 would get \$330,000.
19 That's what it says. So you understood
20 that Mr. Milsner was going to get a loan that he had
21 to guarantee, and he was going to give you at least
22 \$330,000 from that loan. That's what you understood.
23 A If I sold to the ESOP.
24 Q Right.
25 A Yes.

236

1 A I don't see it in there.
2 Q Is that because you made it up?
3 A No.
4 Q Is there any memorialization anywhere of
5 that fact?
6 A I've already answered that.
7 Q Help me out.
8 A There is no memorialization.
9 Q Okay.
10 A There is no witnesses, there is no person
11 that overheard the conversation.
12 Q We do have a letter to your -- an e-mail
13 that you wrote that afternoon to your lawyer, though.
14 A Uh-huh.
15 Q Yes?
16 A Yes.
17 Q And it isn't in there, is it?
18 A No.
19 Q Okay. Did you talk with Mark on the phone
20 at or about this time?
21 A I don't believe so, but it could have been.
22 Q Did you tell Mark that Milsner told you
23 before the meeting that you could only participate if
24 you dropped the lawsuit?
25 A More than likely at some point I did tell

237

1 him that.
 2 Q But you don't know as you sit here?
 3 A No.
 4 Q Okay. We'll have to ask Mark.
 5 Then you go on and say: They also talked
 6 about large tax consequences, however they changed
 7 the Corp. from S to C the start of 2005.
 8 Well, we saw back here, that was done in
 9 2003, in December of 2003; do you remember?
 10 A Yes, but it wasn't changed, I don't think,
 11 until '05.
 12 Q Was that with your approval?
 13 A That's what Menke told us we had to do.
 14 Q Okay. And following Menke's advice was a
 15 smart move here; right? I mean, they're the experts.
 16 A Not in hindsight.
 17 Q Oh, okay, not in hindsight. But at that
 18 point in time when you were at that meeting -- well,
 19 from December of 2003 when the ESOP was adopted, up
 20 until the meeting December 5th, 2005 you were
 21 following the advice that Menke was giving you;
 22 weren't you?
 23 A Yes.
 24 Q Did Milsner follow the advice that Menke
 25 gave him?

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1 you've suffered just was an accident, if it happened
 2 at all?
 3 A I don't believe it was an accident, but
 4 that's only my belief.
 5 Q Do you have any facts that you can point to
 6 that you think show that Milsner or Dawson wanted to
 7 hurt you by doing the ESOP?
 8 A I believe that Milsner knew that it would
 9 devalue my stock before that meeting of the 5th, and
 10 that's why he had a court reporter there.
 11 Q Okay.
 12 A Because we have never had a court reporter
 13 there for any other board of director meeting.
 14 Q But you've had them there for every one
 15 since, haven't you?
 16 A Yes.
 17 Q Okay.
 18 A Not at my request, though.
 19 Q I know that. I'll take credit for that.
 20 MR. HILL: Will you read back his last
 21 answer, please, Debbie.
 22 (The Answer was Repeated.)
 23 BY MR. HILL:
 24 Q Do you have any facts, or is this just
 25 suspicion that Milsner knew?

238

1 A I have no idea.
 2 Q Do you have any reason to believe that
 3 Milsner did not follow the advice that Menke gave
 4 him?
 5 A I think he had other advisors.
 6 Q Okay. What else?
 7 A I don't know.
 8 Q Okay. Who else do you believe Mr. Milsner
 9 had that was advising him about the AMF ESOP?
 10 A I have no direct knowledge, but I believe
 11 that it was Daoro.
 12 Q Okay. You have no facts to support that
 13 statement, do you?
 14 A No.
 15 Q It's just because you think that Milsner is
 16 a rotten guy, you suspect he must have had somebody
 17 else out there. Right?
 18 A No, I think that Milsner is a shrewd
 19 businessman, and I think he would obtain other advice
 20 other than Menke.
 21 Q Okay. Do you think that Milsner and Dawson
 22 got you to form the ESOP specifically so they could
 23 hurt you?
 24 A No.
 25 Q Do you think that the harm that you believe

240

1 A Suspicion.
 2 Q Okay. No facts?
 3 A None.
 4 Q Okay. And has anybody ever told you that
 5 Milsner knew in advance?
 6 A No.
 7 Q Now you understand today the concept of a
 8 minority discount, don't you?
 9 A Yes.
 10 Q You were a one-third owner from the get-go
 11 in this company, weren't you?
 12 A Yes.
 13 Q And that meant that you're not in control;
 14 right?
 15 A That's correct.
 16 Q So if the people who are in control,
 17 Milsner and Dawson, if they decide that the company
 18 is going to buy Fords instead of Chevys, and you like
 19 Chevys, or vice versa, that's what the company is
 20 going to buy; right?
 21 A Yes.
 22 Q And unless you can show that they're
 23 getting kickbacks, or there is something inherently
 24 wrong with what they want to do, they get to run the
 25 company; don't they?

241

1 A Yes.
 2 Q And you knew that when you got into this,
 3 didn't you?
 4 A Yes.
 5 Q When did the concept first -- we're not
 6 done with 53, yet. Don't be closing that up.
 7 MR. HILL: Let's take a minute.
 8 (Off the record.)
 9 BY MR. HILL:
 10 Q Mr. Carstarphen, you knew that the price
 11 you were being offered on your stock, the 1.8, that
 12 did not include a minority discount, did it?
 13 A I was never offered anything for my stock.
 14 Q There was discussion at the meeting that
 15 you -- Exhibit 53, the last page, the last paragraph:
 16 They asked me to get back to them in ten days.
 17 Why in the world did they want you to get
 18 back to them?
 19 A I don't know what that was in reference to.
 20 I don't know that that was the ESOP. I don't think
 21 it was. I think it was other things.
 22 Q What were you going to get back -- what
 23 were you supposed to get back to them about in ten
 24 days?
 25 A I don't know, but it could be the King

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1 Q Okay. Did you talk about this with
 2 Mr. Gunderson?
 3 A I don't know.
 4 Q Did he advise you to make any kind of a
 5 counteroffer to these people?
 6 A There was no offer involved.
 7 Q You just told me on here: Rich has agreed
 8 to a loan of \$1 million with his personal guarantee,
 9 of which I would get \$330,000.
 10 A That's if I sold my stock. But I was not
 11 going to sell my stock.
 12 Q Mr. Carstarphen, is it your experience that
 13 when someone makes you an offer, you make them a
 14 counteroffer --
 15 A Nobody made me any offer.
 16 Q I thought you just told me they said if you
 17 dismiss your lawsuit you can have \$330,000?
 18 A That's what Rich Milsner told me before the
 19 meeting.
 20 Q That's an offer, isn't it?
 21 A He told me I could participate in the ESOP
 22 if I dropped the lawsuit.
 23 Q Isn't that an offer?
 24 A I don't think so. And in this particular
 25 part here I was trying to explain to him that if we

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1 Ahs.
 2 Q And then you go on and you say: My plan is
 3 to just ignore them and give no response unless you
 4 advise differently.
 5 If it wasn't the ESOP then it was some
 6 other item of important corporate business that your
 7 plan was to just ignore them; is that right? Is that
 8 what you just told me?
 9 A Yes.
 10 Q Is that a responsible thing for the
 11 director of a company to do, Mr. Carstarphen?
 12 A At this point in time, yes.
 13 Q Is that the way you conduct your affairs at
 14 your business, Mr. Carstarphen?
 15 A I don't know what that question means.
 16 Q Do you ignore issues --
 17 MR. RUSSO: It's a stockholders meeting,
 18 not a directors meeting.
 19 MR. HILL: Whatever. The same question.
 20 BY MR. HILL:
 21 Q You elected to ignore their request to get
 22 back to you within ten days; right? You can get back
 23 to them within ten days?
 24 A I don't even know what this is in reference
 25 to.

244

1 did the leverage buy-out, I would get \$330,000.
 2 Q And he had to guarantee the money that went
 3 to you. And he wasn't going to do that if you were
 4 suing him. Does that make sense to you?
 5 A That was never discussed.
 6 Q Okay. You understood -- your testimony is
 7 that you didn't know how much stock Milsner was going
 8 to sell?
 9 A That's what I said up here.
 10 Q Okay.
 11 A It said he was going to sell a portion of
 12 his stock, or something like that.
 13 Q Was that material -- if he had told you
 14 that he was going to sell all of his stock, would
 15 your decision have been any different?
 16 A I don't know. I didn't know about this
 17 evaluation of the company.
 18 Q And I've just got to go back to that for a
 19 minute.
 20 You understand the difference between a
 21 stock transaction and a stock sale and an asset sale
 22 when you're selling a business.
 23 Do you understand the distinction? From
 24 the look on your face I don't think so.
 25 A I don't think so.

245

1 Q Let me explain it to you. Let's say we go
2 buy a donkey to do donkey rides, and we put the
3 donkey in the corporation. Okay? And you own half
4 the stock of the donkey, and I own half the stock of
5 the donkey corporation. Are you with me?

6 A Yes.

7 Q We can take and sell our shares in the
8 donkey corporation to Debbie, the court reporter,
9 okay, or the corporation can sell the donkey to
10 Debbie and the money goes into the corporation.

11 Do you understand the distinctions there?

12 A Okay.

13 Q Now let's apply that to American Medflight.
14 Go back to my Monday, Tuesday, Wednesday scenario.
15 Do you remember?

16 A Yes.

17 Q On Monday Debbie comes in and wants to pay
18 \$5.5 million for American Medflight, and she wants to
19 buy all of the stock. So she pays Milsner two-thirds
20 of the money and she pays one-third of the money to
21 you; right?

22 A Yes.

23 Q On that same Monday Debbie comes in and
24 wants to buy the corporation, buy the assets of the
25 company for \$5.5 million. Are you with me?

247

1 Q The two-thirds, that 3.6 goes to Milsner.

2 What's left? One-third of the money. Who gets it?

3 MR. RUSSO: One-third of one-third --

4 MR. HILL: One-third of one-third.

5 MR. RUSSO: -- to him. The other

6 two-thirds goes to the other shareholders.

7 BY MR. HILL:

8 Q What shares does the ESOP own at that time?

9 What's their equity, sir?

10 A Two-thirds.

11 Q Have they paid for it?

12 A No. They paid some.

13 Q Isn't the correct flow she buys the stock,
14 two-thirds of the money goes to the ESOP, one-third
15 of the money goes to you; the people in the ESOP pay
16 off Milsner, and they get what's left?

17 A Yes.

18 Q Now we sell the donkey to Debbie for
19 \$5.5 million. The corporation gets the money.

20 Right?

21 A Uh-huh.

22 Q You get a third, they get two-thirds, and
23 they pay Milsner. Right?

24 A Yes.

25 Q Okay. So where is the damage to the donkey

246

1 A Yes.

2 Q She pays the \$5.5 million. The money goes
3 where? Into the corporation? Milsner gets
4 two-thirds, you get one-third; right?

5 A I thought the assets would stay in the
6 corporation.

7 Q Well, but you and Milsner don't get along
8 so we're going to sell the donkey and we're going to
9 split the money right here on the sidewalk, and you
10 go your way and I go my way.

11 A Okay.

12 Q We can do that, can't we?

13 A Yes.

14 Q Now let's go to Wednesday. Debbie comes
15 in, and what's happened to that donkey that makes
16 that donkey worth less than he is worth on Monday in
17 an asset sale? Why is that donkey worth any less?

18 A Because someone put a lien on the company.

19 Q Okay. So Debbie comes in and buys the
20 stock and she puts \$5.5 million on the table. The
21 money goes first to pay the \$336,000 debt to the
22 creditor, Milsner; right?

23 A Yes.

24 Q What's left; the 3.6 million?

25 A Yes.

248

1 in this transaction, Mr. Carstarphen?

2 A Because of the liability that the company
3 has.

4 Q But the liability gets paid out of the
5 ESOP's share.

6 Do you think -- let me see if I understand
7 what you're saying. You think in this scenario the
8 money comes in, and Milsner gets \$3.6 million because
9 he's a creditor, and then whatever is left over gets
10 split one-third to you, two-thirds to the ESOP? Is
11 that what you think happens?

12 A There is no money coming into the company.
13 Okay? Your hypothetical is not right.

14 Right now, if I want to go sell my stock to
15 anybody else or even if I want to sell it to the
16 ESOP, it's only -- it's now been devalued by
17 \$1.3 million.

18 Q Okay. You have a house that's worth a
19 million dollars. If it's free and clear, what is
20 your equity?

21 A 1 million.

22 Q And if you put a loan against it for
23 \$500,000, what is your equity in the house?

24 A How much is the loan?

25 Q 500,000.

249

1 A Then it's worth 500,000.
 2 Q The house isn't worth 500,000; the house is
 3 still worth a million, isn't it?
 4 A But my interest in it is only worth
 5 500,000.
 6 Q Right. Your equity in the house is worth
 7 500,000?
 8 A Right.
 9 Q The house is still worth one million?
 10 A Yes.
 11 Q The million dollars --
 12 MR. RUSSO: Paying 500, a million plus 500,
 13 assuming \$500,000 debt --
 14 THE WITNESS: Your hypothetical here is
 15 assuming I got something for that 500,000. Like as
 16 if I went out and I refinanced it for 500,000, I
 17 would have 500,000, I sell it for a million, I would
 18 get another 500,000 and pay off the 500,000 worth of
 19 debt.
 20 In this case American Medflight did not get
 21 anything for taking on this \$3.6 million debt.
 22 BY MR. HILL:
 23 Q But that was --
 24 A That was nothing.
 25 Q That was the package that you voted for --

251

1 Q Have you had anybody appraise your interest
 2 in the company?
 3 A For what purpose?
 4 Q For any reason, Mr. Carstarphen.
 5 A No.
 6 Q Your business proposal for AMF to start
 7 doing its open maintenance, is AMF going to take in
 8 other people's planes to work on in that scenario?
 9 A No.
 10 Q So have you done any studies to determine
 11 whether -- now you think there should be two
 12 mechanics or one mechanic or three?
 13 A I do not know.
 14 Q Okay. If you've got extra time, if the
 15 mechanics' don't have enough AMF planes to work on,
 16 what are they supposed to do?
 17 A I don't think that's a problem.
 18 Q Do you have any facts to base that on? Do
 19 you have any studies?
 20 A The fact is that there is usually one
 21 airplane in the hanger being maintained. If you had
 22 three airplanes, which I wanted to have, there would
 23 be one airplane in the hanger almost all the time
 24 being worked on.
 25 Q Okay. So is that the basis on which you

250

1 A I did not vote for that.
 2 Q Didn't we just cover in the 17th meeting
 3 you agreed to the formation of the ESOP?
 4 A The formation of the ESOP is not agreeing
 5 to that.
 6 Q Okay. If you say so.
 7 Now did you understand, do you understand
 8 as you sit here that Weinress's first appraisal is
 9 based on projected numbers?
 10 A I have no idea how they came up with
 11 their --
 12 Q Have you even read his appraisal?
 13 A I have glanced at that summary page. The
 14 rest of it I have no idea what they're saying.
 15 Q Before the sale by Nilsner you owned a
 16 third of the company?
 17 A Yes.
 18 Q You still own a third of the company?
 19 A Yes.
 20 Q Okay. Have you tried to sell your stock?
 21 A No.
 22 Q You've not had anybody appraise the
 23 company; is that right?
 24 A I have not had anybody appraise the
 25 company?

252

1 assert that two mechanics would have full-time
 2 employment with AMF?
 3 A I have no idea how many mechanics.
 4 Q Okay. Is there any chance that you were
 5 confused at this meeting in December of 2005 about
 6 what the proposals were that were being made to you?
 7 A There was no proposals being made to me.
 8 Q Is there any possibility that you're
 9 confused about that, sir?
 10 A What proposals were being made?
 11 Q Well, I thought we already covered the
 12 million dollar loan that you were going to get
 13 \$330,000 from.
 14 A I was just explaining to them there was --
 15 that was dropped almost immediately.
 16 Q Okay. Do you believe that the damages that
 17 AMF suffered by reason of the Reno Flying Service
 18 relationship continue to this day?
 19 A Yes.
 20 Q Do you plan to amend your complaint to
 21 include damages after the date of the filing of the
 22 complaint?
 23 MR. HILL: Or maybe I should address that
 24 to you.
 25 MR. RUSSO: We will amend it according to

253

1 proof.

2 MR. HILL: Well, and do you think that will
3 get you around a relevancy objection?

4 MR. RUSSO: I don't think it's going to be
5 a problem.

6 BY MR. HILL:

7 Q If I understand --

8 MR. RUSSO: I can amend every day until
9 trial for new damages, including up and through the
10 trial date.

11 BY MR. HILL:

12 Q You said you talked to Mr. Menke?

13 A Yes, I have.

14 Q How many times?

15 A Once, I believe.

16 Q What did you and he talk about?

17 A I told him that I was no longer going to
18 use his services.

19 Q Okay. When was that?

20 A That was probably in '06.

21 Q Do you think that Menke was in cahoots with
22 Milsner trying to hurt you?

23 A I have no idea, but I think he should have
24 told me that my stock was going to go down

25 \$1.3 million since I was paying him for his services.

255

1 that this December 5th, 2005 meeting occurs, you're
2 in litigation with Milsner and Dawson?

3 A Yes.

4 Q And AMF and Reno Flying Service; right?

5 A I don't know when I dropped American
6 Medflight and Jack Dawson from the lawsuit. I don't
7 know.

8 Q It was much later.

9 A Okay.

10 Q Assume that it was.

11 I mean, do you sue people that you trust,
12 or do you sue people you don't trust?

13 A You sue people that you don't trust.

14 Q So you didn't trust Milsner, and you didn't
15 trust Dawson, you didn't trust AMF, and you didn't
16 trust Reno Flying Service, right, when you went to
17 this meeting?

18 A I didn't trust Milsner.

19 Q Did you trust Dawson?

20 A I believe that he was just going along with
21 Milsner.

22 Q Why? Why is he just going along with
23 Milsner?

24 A Because Milsner is paying his salary, and
25 he's paying him for his stock.

254

1 Q Okay. So you don't think that Menke gave
2 you what you paid for?

3 A No. And I don't know that it was him
4 personally --

5 Q Them.

6 A -- them as a company.

7 Q Right. They dropped the ball because they
8 didn't tell you -- you think Milsner should have
9 known, but you regard Menke as experts; right?

10 A Yes.

11 Q And you think that Menke should have
12 stepped up and told you that?

13 A Yes.

14 Q Okay.

15 A And subsequently I found another
16 administrator.

17 Q Okay. Has the ESOP for your company been
18 funded?

19 A Yes.

20 Q Do the employees own any of the stock?

21 A No.

22 Q So you're just putting money aside into the
23 plan?

24 A Yes.

25 Q Now I just want to be clear, as of the time

256

1 Q Any other reason? He's got a picture of
2 him in a dress, or something?

3 A No.

4 Q So the only reason that Dawson is complicit
5 with Milsner is because Milsner is paying his salary,
6 what, at AMF and at RFS?

7 A Yes.

8 Q And he paid him, or he's paying him for his
9 stock?

10 A Yes.

11 Q Okay. And those are the only reasons?

12 A I have no idea what other reasons there
13 would be.

14 Q Have you asked him?

15 A No.

16 Q Why haven't you said: Jack, why are you
17 doing this to me? You've never asked him that?

18 A No.

19 Q Why not?

20 A I don't believe so.

21 Q Why not?

22 A Why? It's Milsner who is pulling the
23 strings.

24 Q But haven't you ever said to Jack Dawson:
25 Jack, you know this guy is a bad guy, Milsner is a

257

1 bad guy, why are you doing this to me with him? Why
 2 haven't you said that to him?
 3 A I don't know.
 4 Q Do you really believe it?
 5 A I have no idea why.
 6 Q Okay. They told you at the meeting that if
 7 they didn't hear back from you in ten days they were
 8 just going to go ahead; right? Milsner told you
 9 that: If we don't hear back from you in ten days
 10 we're going to assume you don't want to be involved
 11 and we're going to just proceed. Isn't that what
 12 they told you?
 13 A I don't believe so.
 14 Q Okay.
 15 A The ten days, I don't know what that was
 16 referring to, but I knew at the meeting they were
 17 going to proceed.
 18 Q Is it your contention that Milsner profited
 19 by the sale of his stock?
 20 A What do you mean, "profited"?
 21 Q You contend that Milsner made a profit when
 22 he sold his stock; right?
 23 A I didn't say that.
 24 Q Okay. Do you believe he did make a profit
 25 when he sold his stock?

259

1 know.
 2 Q You contend that you as a shareholder in
 3 the company were damaged by that transaction; right?
 4 A I was.
 5 Q And you own a third of the company; right?
 6 A Yes.
 7 Q So the ESOP suffered twice as much damage
 8 as you did?
 9 A I don't know.
 10 Q Well, if you suffered 1 point --
 11 A 3.
 12 Q -- 3, did they suffer 2.6?
 13 A I don't know. I don't know how that works.
 14 Q Is there anything about this ESOP that
 15 differs from a garden variety ESOP, as far as you
 16 know?
 17 A I don't know what a garden variety ESOP is,
 18 but this seems to be what an ESOP is.
 19 Q Are you aware of any features about the AMF
 20 ESOP that differ dramatically from the features of
 21 any other ESOP?
 22 A No. The ESOP I have for American Home
 23 Companion was also drafted by Menke.
 24 Q Okay. And are there things that were wrong
 25 with it?

258

1 A I don't know -- you're going to have to
 2 define the word "profit."
 3 Q Did Mr. Milsner make a profit when he sold
 4 his stock?
 5 A I don't know what that means. Usually a
 6 profit means you do something, and then you make a
 7 profit on the end result.
 8 Q Is that what Milsner did here with the sale
 9 of his stock?
 10 A If the, what is it, Weinress appraisal is
 11 correct, he sold it for the appraised value, and
 12 there was no profit in it.
 13 Q Okay.
 14 MR. RUSSO: How about define "profit" as
 15 money received over investment, and he invested
 16 \$12,500.
 17 THE WITNESS: Yes.
 18 BY MR. HILL:
 19 Q Okay. Was the price on the Weinress
 20 appraisal more than his stock was really worth, in
 21 your opinion?
 22 A I have no idea.
 23 Q Okay.
 24 A I already answered that I thought it was
 25 overvalued, which is not to my benefit, but I don't

260

1 A I have no idea.
 2 Q Well, why did you stop using Menke?
 3 A Because he didn't tell me my stock was
 4 going to devalue by \$1.3 million.
 5 Q Did you tell him that when you told him you
 6 weren't going to use his services any more?
 7 A Yes, I did.
 8 Q What did he say?
 9 A I don't remember.
 10 Q You called this guy up, and you read him
 11 the riot act and --
 12 A No, I did not read him the riot act.
 13 Q You don't remember what he said?
 14 A I don't remember.
 15 Q Did he say: Mr. Carstarphen I'm sorry?
 16 Did he say: Mr. Carstarphen, you're mistaken?
 17 A He didn't say I was mistaken.
 18 Q Did he say you were right?
 19 A He didn't -- I don't know what he said. He
 20 apologized, and he wanted to continue to have my
 21 business, and I told him it was out of the question.
 22 Q Okay.
 23 A It was a very cordial, it was not a riot
 24 act or anything.
 25 Q Do you contend that Milsner controls the

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1 AMF ESOP?
2 A I contend that Milsner controls everything.
3 Q Everything?
4 A Everything.
5 Q Including Scott Russo?
6 A He controls everything with American
7 Medflight and Reno Flying Service as of the time that
8 Jack sold his stock.
9 Q Can you point out for me anything that the
10 ESOP has done since it's been a shareholder that you
11 can point to and say: That's evidence right there
12 that Milsner controls it?
13 A He pulls the strings on everything.
14 Q Other than that nice generality, can you
15 give me a specific, sir? Give me one instance where
16 you can point to and say: That shows that Milsner
17 controls the ESOP. Can you do that?
18 A Probably the December 5th meeting.
19 Q The December 5th, 2005.
20 A Yes.
21 Q Okay. Tell me.
22 A He controlled the whole thing.
23 Q He controlled the whole thing.
24 A Yes.
25 Q Milsner --

263

1 A I don't know, but I believe that was the
2 catalyst.
3 Q So is it your opinion then that up until
4 that moment Milsner was in control of the AMF ESOP?
5 A Yes.
6 Q Can you point to any facts -- you've told
7 me that you believe that the sale transaction that
8 was discussed at the December 5th, 2005 meeting is
9 evidence that Milsner controls the ESOP, or did at
10 that time. From that point until the \$100,000 check
11 incident, can you identify any act --
12 A No.
13 Q -- to support that?
14 MR. RUSSO: Do you have much more?
15 MR. HILL: Yes.
16 MR. RUSSO: Well, let's call it.
17 MR. HILL: All right.
18 BY MR. HILL:
19 Q Mr. Carstarphen, have there been any
20 answers you've given me today that you would like to
21 change at this time?
22 A No.
23 Q Any questions that you didn't understand,
24 other than the ones that you called to my attention?
25 A I think I understood them.

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1 A He controlled the leveraged buy-out. He
2 controlled how much stock he was going to sell. When
3 he said he was going to sell some stock, he sold all
4 of his stock. He controls the whole thing.
5 Q That's his side of the transaction. Tell
6 me, do you know who the trustee is of the ESOP, or
7 the trustees --
8 A Jack Dawson.
9 Q Okay. Do you believe that Jack Dawson in
10 his capacity as the trustee of the AMF ESOP is doing
11 Milsner's bidding?
12 A Back then, yes.
13 Q What about as you sit here right now?
14 A I don't believe so.
15 Q So as of right now Dawson's in control of
16 the ESOP; is that right?
17 A Yes.
18 Q And is he his own man in relation -- is he
19 doing what he needs to do for the ESOP members as the
20 trustee of the ESOP, in your opinion?
21 A Ever since Milsner took that \$100,000, I
22 think Jack Dawson does not believe in Rich Milsner
23 any more, and is doing his own bidding now.
24 Q Okay. Is that the tear point in your
25 opinion where Milsner lost control of the AMF ESOP?

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1 MR. HILL: All right. Do you want the
2 transcript sent to you?
3 MR. RUSSO: To King & Russo.
4 MR. HILL: Is that the address you gave
5 her?
6 MR. RUSSO: Yes.
7 MR. HILL: Okay.
8 (At 4:23 p.m. the deposition was adjourned.)
9 -000-
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I, JOHN CARSTARPHEN, deponent herein, do hereby certify and declare under penalty of perjury, the within and foregoing transcription to be my deposition in said action, subject to any corrections I have heretofore submitted, and that I have read, corrected, and do hereby affix my signature to said deposition.

John Carstarphen

STATE OF NEVADA }
COUNTY OF WASHOE } ss:

Subscribed and sworn to before me this _____ day of
_____, 2010.

Notary Public

CERTIFICATE OF REPORTER

STATE OF NEVADA }
COUNTY OF WASHOE } ss:

I, DEBRA J. BARTGIS, a duly commissioned Notary Public, Washoe County, State of Nevada, do hereby certify:

That I reported the deposition of the witness, JOHN CARSTARPHEN, commencing on Friday, April 23, 2010, at the hour of 10:02 a.m.;

That prior to being examined, the witness was by me first duly sworn to testify to the truth, the whole truth, and nothing but the truth; that I thereafter transcribed my said shorthand notes into typewriting and that the typewritten transcript of said deposition is a complete, true and accurate record of testimony provided by the witness at said time.

I further certify (1) that I am not a relative or employee of an attorney or counsel of any of the parties, nor a relative or employee of any attorney or counsel involved in said action, nor a person financially interested in the action, and (2) that pursuant to NRCP 30 (e), transcript review by the witness was requested.

IN WITNESS WHEREOF, I have hereunto set my hand in my office in the County of Washoe, State of Nevada, this _____ day of _____, 2010.

Debra J. Bartgis, CCR #56

EXHIBIT 2

EXHIBIT 2

TURNER, LOY & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS

6502 South McCarran Boulevard, Suite D, Reno, Nevada 89509

David W. Turner
Pamela K. Loy

(775) 823-3777
Fax: (775) 823-3773

April 22, 2008

Mr. Richard G. Hill
Richard G. Hill, Chartered Attorneys at Law
652 Forest Street
Reno, NV 89509

Re: John Carstarphen v. Milsner, et. al.

Dear Mr. Hill:

Based upon further examination of documentation associated with the above referenced case, we have concluded that during the period from 1995 through 1999 Reno Flying Service paid approximately \$302,779 of expenses related to shared administrative payroll expenses and shared office expenses that should have been charged to American MedFlight during American MedFlight's start-up years. This overpayment amount was calculated before adjusting for the \$5,000 monthly consulting fee paid by American MedFlight to Reno Flying Service commencing August 1998. The attached Exhibit 1 provides a summary of our conclusion. The attached Exhibits 2 through 4 provide the cost and payment details supporting the summary amounts appearing on Exhibit 1.

In arriving at our conclusion, we have assumed that shared expenses should have been split 50% - 50% between American MedFlight and Reno Flying Service. We believe that this is a conservative assumption because American MedFlight was both a start-up business and has a more complex business model than Reno Flying Service (air ambulance versus charter/maintenance). As such, it is very likely that American MedFlight should have been allocated more than 50% of shared administrative payroll expenses because the shared employees devoted more time to that company. Approximately 76% of the total shared expenses during the period from 1995 through 1999 relate to shared administrative payroll expenses.

Respectfully submitted the 22nd day of April, 2008.

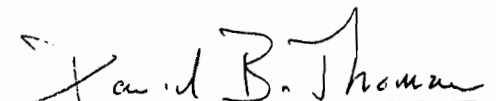

David B. Thomas, MBA

Exhibit 1
Shared Administrative Payroll and Office Expense Summary
1995 Through 1999

Expenses Paid By Reno Flying Service	901,126.23
Expenses Paid By American Medflight	<u>295,567.51</u>
Total Expenses Paid	<u>1,196,693.74</u>

50% Of Total Expenses Paid	598,346.87
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Excess Expenses Paid By Reno Flying Service	302,779.36
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Exhibit 2
Shared Administrative Payroll and Office Expense Detail
American MedFlight

	1995	1996	1997	1998	1999	5-Year Total
Brown, James - Maintenance Director	-	-	-	1,000.00	1,250.00	2,250.00
Coyne, Kathy - Office Staff	-	-	-	-	3,702.45	3,702.45
Dawson, John	-	-	-	-	3,000.00	3,000.00
Geyer, William - Chief Pilot	-	-	11,050.00	9,950.00	46,007.99	67,007.99
Griffin, Patty - Office Staff	92.60	93.00	-	-	-	185.60
Reed, Linda - Office Manager	-	11,133.00	17,508.04	17,930.08	18,524.56	65,095.68
Scott, Bethney - Office Staff	-	-	-	9,793.01	6,267.69	16,060.70
Tombow, Leslie - Chief Pilot	-	3,300.00	-	-	-	3,300.00
Thompson, Sheri - Office Dispatcher	12,899.88	3,487.50	-	-	-	16,387.38
Payroll Taxes @ 7.65%	993.92	1,378.03	2,184.69	2,958.49	6,024.58	13,539.71
Total Shared Payroll Expense	<u>13,986.40</u>	<u>19,391.53</u>	<u>30,742.73</u>	<u>41,631.58</u>	<u>84,777.27</u>	<u>190,529.51</u>
Rent	5,308	10,879	11,155	19,088	16,407	62,837.00
Office Expense	3,127	9,151	10,413	6,849	8,198	37,738.00
Postage & Freight	143	417	850	1,206	1,847	4,463.00
Total Shared Office Expense	<u>8,578.00</u>	<u>20,447.00</u>	<u>22,418.00</u>	<u>27,143.00</u>	<u>26,452.00</u>	<u>105,038.00</u>
Total Shared Expense	<u>22,564.40</u>	<u>39,838.53</u>	<u>53,160.73</u>	<u>68,774.58</u>	<u>111,229.27</u>	<u>295,567.51</u>
Memo: Consulting Expense Paid To Reno Flying Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000.00</u>	<u>60,000.00</u>	

Exhibit 2
Shared Administrative Payroll and Office Expense Detail
Reno Flying Service

	1995	1996	1997	1998	1999	5-Year Total
Brown, James - Maintenance Director	36,000.00	39,333.20	39,999.84	40,999.84	36,507.83	192,840.71
Carstarphen, John	-	-	200.00	100.00	-	300.00
Coyne, Kathy - Office Staff	-	-	-	-	3,946.75	3,946.75
Dawson, John	49,840.23	49,093.63	47,299.92	47,299.92	47,299.92	240,833.62
Geyer, William - Chief Pilot	-	-	35,041.20	38,654.10	750.00	74,445.30
Griffin, Patty - Office Staff	19,740.40	16,054.00	-	-	-	35,794.40
Hanson, Pamela - Office Staff	1,260.00	-	-	-	-	1,260.00
Reed, Linda - Office Manager	9,594.70	16,117.00	17,508.04	17,930.08	16,167.28	77,317.10
Ragsdale, Philip - Chief Pilot	26,176.92	-	-	-	-	26,176.92
Tombow, Leslie - Chief Pilot	-	15,897.30	-	-	-	15,897.30
Payroll Taxes @ 7.65%	10,909.84	10,441.88	10,713.75	11,091.27	8,007.39	51,164.13
Total Shared Payroll Expense	<u>153,522.09</u>	<u>146,937.01</u>	<u>150,762.75</u>	<u>156,075.21</u>	<u>112,679.17</u>	<u>719,976.23</u>
Rent	19,770	18,944	26,278	10,396	12,293	87,681.00
Rent Allocated to Cost of Goods Sold	-	-	-	11,638	12,476	24,114.00
Office Expense	8,458	18,848	13,514	11,304	13,294	65,418.00
Postage	836	784	811	766	740	3,937.00
Total Shared Office Expense	<u>29,064.00</u>	<u>38,576.00</u>	<u>40,603.00</u>	<u>34,104.00</u>	<u>38,803.00</u>	<u>181,150.00</u>
Total Shared Expense	<u>182,586.09</u>	<u>185,513.01</u>	<u>191,365.75</u>	<u>190,179.21</u>	<u>151,482.17</u>	<u>901,126.23</u>

Exhibit 3
Payroll Detail
American Medflight - Information From Forms W-2 and W-3

Employee	Form W-2 Amounts					5-Year Total
	1995	1996	1997	1998	1999	
Ainsworth, John	-	-	-	-	6,195.00	6,195.00
Alcorn, Stephen	5,228.35	822.50	-	-	-	6,050.85
Angius, Robert	-	-	666.27	-	-	666.27
Balmos, Jill	-	-	-	-	9,807.70	9,807.70
Bishop, Daniel	-	-	-	-	4,708.34	4,708.34
Brown, James	-	-	-	1,000.00	1,250.00	2,250.00
Bueler, Wendi	-	16,880.07	-	-	-	16,880.07
Buevin, Eric	-	5,056.15	-	-	-	5,056.15
Burkhard, David	-	-	80.00	62.50	81.60	224.10
Carstarphen, John	2,000.00	12,000.00	30,000.00	48,000.00	34,000.00	126,000.00
Chittenden, Amy	9,293.65	12,136.98	-	-	-	21,430.63
Cornelison, Gale	21,997.69	-	-	-	-	21,997.69
Coyne, Kathy	-	-	-	-	3,702.45	3,702.45
Davies, Amy	-	-	4,117.83	47,496.05	30,638.06	82,251.94
Dawson, John	-	-	-	-	3,000.00	3,000.00
Demyer, William	1,206.00	9,256.30	-	-	-	10,462.30
Dietmeier, Melvin	-	-	6,416.32	15,238.08	-	21,654.40
Dion, Deeann	22,341.68	6,611.37	-	-	-	28,953.05
Dockter, Duane	-	-	-	15,634.45	36,400.40	52,034.85
Dubrowski, Alan	-	6,210.00	33,962.33	-	-	40,172.33
Dunphy, Danielle	277.80	279.00	-	-	-	556.80
Eenske, Cheryl	-	-	4,759.42	29,796.10	25,188.23	59,743.75
Foster, Dallas	-	-	6,852.88	42,173.76	18,924.97	67,951.61
Frantz, Carol	-	-	-	-	12,885.35	12,885.35
Fregoso, Robert	-	-	-	-	880.65	880.65
Geyer, William	23,100.00	19,930.00	11,050.00	9,950.00	46,007.99	110,037.99
Graves, Darren	-	-	-	-	6,727.60	6,727.60
Greaves, Bradley	-	-	509.58	33,798.23	31,781.06	66,088.87
Grey, James	5,000.00	28,820.00	-	-	-	33,820.00
Griffin, Patty	92.60	93.00	-	-	-	185.60
Griffith, Brenda	-	-	-	-	10,765.89	10,765.89
Haase, Mark	-	-	-	26,479.58	38,302.66	64,782.24
Haase, Stephan	-	-	-	-	834.00	834.00
Hellman, Todd	-	-	-	953.40	29,378.92	30,332.32
Hewitt, Philip	-	-	-	8,103.60	36,003.09	44,106.69
Holguin, Doris	-	5,155.86	12,342.50	10,003.50	1,515.00	29,016.86
Ingram, Christopher	-	-	-	-	1,819.50	1,819.50
Inskeep, Christopher	1,567.50	-	-	-	-	1,567.50
Jordan, James	-	-	40.00	33.00	-	73.00
Kozy, Mark	-	-	9,590.00	-	-	9,590.00
Laughridge, Fergus	196.66	34,522.80	35,531.05	34,941.68	10,980.64	116,172.83
Lavery, Kenneth	-	-	-	12,489.96	6,196.12	18,686.08
Lawrence, Rodney	-	17,399.95	33,798.26	43,669.04	40,323.23	135,190.48
Lutz, Stephen	-	19,650.00	16,472.93	-	-	36,122.93
Manley, Charlene	-	-	-	16,461.10	-	16,461.10
Marble, Jere	-	-	-	-	3,000.00	3,000.00
Mempham, Colin	-	-	13,547.48	15,954.92	-	29,502.40

Exhibit 3
Payroll Detail
American Medflight - Information From Forms W-2 and W-3

Employee	Form W-2 Amounts					5-Year Total
	1995	1996	1997	1998	1999	
Merren, Michael	-	-	-	33,830.12	43,993.58	77,823.70
Mohler, John	-	-	380.00	400.00	939.49	1,719.49
Morales, Miguel	-	-	-	-	185.60	185.60
Ohsawa, Kazumasa	-	-	-	-	139.20	139.20
Orey, James	-	-	35,472.88	3,589.74	-	39,062.62
Ozer, Craig	-	-	3,241.03	47,892.88	8,409.84	59,543.75
Pazos, Christopher	-	1,165.83	-	-	-	1,165.83
Peck, Janet	-	-	-	-	5,894.20	5,894.20
Peck, Jeffrey	-	-	-	74.63	75.00	149.63
Pedone, Frank	-	-	-	-	12,453.20	12,453.20
Pisio, Garrison	-	-	-	22,005.31	13,417.54	35,422.85
Pollino, Gail	-	-	-	-	8,980.00	8,980.00
Ragsdale, Philip	3,615.38	-	-	-	-	3,615.38
Raw, Thomas	3,861.71	-	-	-	-	3,861.71
Reed, Linda	-	11,133.00	17,508.04	17,930.08	18,524.56	65,095.68
Roney, Steven	-	-	-	-	15,524.17	15,524.17
Ruth, David	-	-	-	-	3,250.72	3,250.72
Schmitt, Lyle	2,500.00	31,800.00	32,020.48	36,243.44	25,198.99	127,762.91
Scott, Bethney	-	-	-	9,793.01	6,267.69	16,060.70
Silvaroli, Patrick	-	-	-	14,465.85	4,012.14	18,477.99
Laughter, Richard	-	-	680.00	2,351.10	2,974.00	6,005.10
Sparks, Robin	-	-	-	-	3,574.33	3,574.33
Stanton, James	-	-	-	-	7,800.36	7,800.36
Teserio, Tim	-	-	6,416.32	7,985.07	3,128.68	17,530.07
Thompson, Kenneth	46,750.00	66,593.94	65,271.44	19,537.55	-	198,152.93
Thompson, Sheri	12,899.88	3,487.50	-	-	-	16,387.38
Tombow, Leslie	14,950.00	3,300.00	-	-	-	18,250.00
U'Ren, Jonathan	-	2,000.00	-	-	-	2,000.00
Vaona, Paul	-	-	4,161.57	7,901.01	-	12,062.58
Witham, Larry	-	2,086.17	-	-	-	2,086.17
Form W-3 Total	<u>176,878.90</u>	<u>316,390.42</u>	<u>384,888.61</u>	<u>636,238.74</u>	<u>636,041.74</u>	<u>2,150,438.41</u>

Exhibit 4
Payroll Detail
Reno Flying Service - Information From Forms W-2 and W-3

Employee	Form W-2 Amounts					5-Year Total
	1995	1996	1997	1998	1999	
Morgan, Theodore	-	-	1,351.36	-	-	1,351.36
Morales, Miguel	-	-	-	9,556.65	9,318.00	18,874.65
Morrison, Leroy	808.60	1,780.40	1,538.00	3,251.40	2,545.00	9,923.40
Murphree, Steven	-	-	3,362.15	-	-	3,362.15
Nonini, Ty	-	-	5,574.40	-	-	5,574.40
Ohsawa, Kazumasa	-	-	-	-	3,798.60	3,798.60
Orey, James	-	621.00	2,370.45	-	-	2,991.45
Parker, Raymond	-	-	-	393.13	-	393.13
Peck, Jeffrey	-	-	4,689.06	14,458.63	17,158.05	36,305.74
Pedone, Frank	-	-	-	-	749.99	749.99
Pisio, Garrison	-	-	-	122.09	1,407.53	1,529.62
Profit, Andrew	100.00	-	-	-	-	100.00
Ragsdale, Philip	26,176.92	-	-	-	-	26,176.92
Reed, Linda	9,594.70	16,117.00	17,508.04	17,930.08	16,167.28	77,317.10
Riebeling, Eric	4,300.00	-	-	-	-	4,300.00
Ruth, David	13,826.00	12,672.30	16,663.40	12,024.80	4,879.00	60,065.50
Ruth, Patricia	281.03	279.99	330.75	224.25	108.75	1,224.77
Salo, Terry	-	-	1,360.80	-	-	1,360.80
Schmidt, Lyle	-	1,597.00	875.00	122.09	3,527.42	6,121.51
Scott, Bethney	-	-	15,111.25	9,794.11	8,562.73	33,468.09
Scott, Casey	7,307.70	9,619.40	11,724.00	-	-	28,651.10
Shanley, Chris	-	-	-	3,025.00	10,800.00	13,825.00
Sharen, Bruce	15,552.40	21,573.65	11,171.55	-	-	48,297.60
Smith, Victor	2,541.00	-	-	-	-	2,541.00
Stein, Virginia	-	-	9,216.00	-	-	9,216.00
Stewart, Steven	-	-	-	367.50	-	367.50
Teserio, Tim	-	-	-	7,467.24	1,776.22	9,243.46
Tombow, Leslie	5,757.30	15,897.30	-	-	-	21,654.60
U'Ren, Jonathan	17,801.30	2,258.10	-	-	-	20,059.40
Vandyke, Kirt	3,456.90	19,702.20	-	-	-	23,159.10
Waddell, James	19,432.69	29,009.71	30,765.32	36,375.26	6,752.12	122,335.10
Warjabedian, Adriano	-	-	-	-	5,037.48	5,037.48
Water, John	-	-	-	-	5,041.51	5,041.51
White, Elliott	-	-	-	-	417.60	417.60
Woodburn, Alan	1,008.00	620.80	1,250.04	1,812.40	3,943.60	8,634.84
Zaragoza, Amador	853.78	-	-	-	-	853.78
Form W-3 Total	<u>259,854.52</u>	<u>300,793.24</u>	<u>319,094.86</u>	<u>336,534.43</u>	<u>302,169.37</u>	<u>1,518,446.42</u>

Exhibit 4
Payroll Detail
Reno Flying Service - Information From Forms W-2 and W-3

Employee	Form W-2 Amounts					5-Year Total
	1995	1996	1997	1998	1999	
Anguis, Robert	8,256.00	20,996.00	25,100.00	5,375.00		59,727.00
Barnes-Truitt, Karma	-	-	-	-	1,050.40	1,050.40
Beauregard, Marion	-	3,822.87	3,129.53	-	-	6,952.40
Blasier, Theron	-	-	93.00	-	-	93.00
Bonar, Erick	-	-	3,987.50	24,287.17	6,199.26	34,473.93
Bonilla, Carlos	1,763.40	241.20	-	-	-	2,004.60
Booth, Mark	-	-	-	3,628.80	-	3,628.80
Boyce, Jerry	-	-	-	12,383.51	29,321.63	41,705.14
Brent, Stephen	-	-	4,733.00	5,126.90	-	9,859.90
Briggs, Tom	271.00	-	-	-	-	271.00
Brown, James	36,000.00	39,333.20	39,999.84	40,999.84	36,507.83	192,840.71
Burke, Todd	-	-	-	-	11,561.50	11,561.50
Burkhard, David	-	-	663.00	8,905.20	10,623.10	20,191.30
Bush, Terry	-	2,178.00	1,262.80	-	-	3,440.80
Cahill, Aidan	-	305.40	-	-	-	305.40
Carmichael, Ryan	-	534.00	72.00	-	-	606.00
Carstarphen, John	-	-	200.00	100.00	-	300.00
Cloutier, Samuel	-	-	-	2,024.50	1,824.76	3,849.26
Coppick, Andrea	3,117.10	4,847.30	-	-	-	7,964.40
Coyne, Kathy	-	-	-	-	3,946.75	3,946.75
Cramer, Lyle	96.60	-	-	-	-	96.60
Dawson, John	49,840.23	49,093.63	47,299.92	47,299.92	47,299.92	240,833.62
Dee Pagni, Pamela	79.20	-	-	-	-	79.20
Deitmeier, Melvin	-	-	-	1,151.21	-	1,151.21
Dunphy, Daniele	4,675.29	8,583.79	-	-	-	13,259.08
Edwards, Dante	-	-	-	-	6,391.00	6,391.00
Englebrecht, Raymond	-	-	7,651.05	10,174.69	-	17,825.74
Evans, Tony	-	643.20	1,892.60	-	-	2,535.80
Fenske, Cheryl	-	-	4,937.30	210.09	3,502.79	8,650.18
Foster, Dallas	-	-	-	488.36	80.00	568.36
Geyer, William	1,335.08	18,224.00	35,041.20	38,654.10	750.00	94,004.38
Granger, Angela	408.10	-	-	-	-	408.10
Graves, Darren	-	-	-	-	356.50	356.50
Griffin, Patty	19,740.40	16,054.00	-	-	-	35,794.40
Gustavson, Craig	-	-	2,849.45	2,505.75	-	5,355.20
Hanson, Pamela	1,260.00	-	-	-	-	1,260.00
Hickerson, George	91.20	-	-	-	-	91.20
Hoerth, Matthew	-	-	-	-	6,423.35	6,423.35
Howe, Dawn	-	-	-	-	1,400.00	1,400.00
Jordan, James	4,122.60	922.10	1,572.40	2,819.40	-	9,436.50
Kozloski, Chad	-	-	-	1,454.80	525.60	1,980.40
Kozy, Mark	-	-	505.70	-	-	505.70
Langstrom, Neil	-	-	-	-	24,336.72	24,336.72
Lavery, Kenneth	-	-	-	4,104.86	8,077.38	12,182.24
Lawrence, Brian	-	-	-	7,915.70	-	7,915.70
Leitz, Stephen	-	3,265.70	-	-	-	3,265.70
Leita, Stephen	-	-	3,243.00	-	-	3,243.00

EXHIBIT 2A

EXHIBIT 2A

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John Carstarphen.
Plaintiffs,
v.
Richard Milsner, an individual,
DOES 1 through 10,
Defendants.

Case No.: 3:07-cv-00542-ECR-RAM

DAVID B. THOMAS, MBA, having been duly sworn, avers under penalty of perjury, as follows:

2. I have been retained as an expert by Richard G. Hill, Esq., counsel for defendant Richard Milsner in this case. Exhibit 2 (Bates numbered AMF-4000-4007),

///

1 attached to the subject Motion for Summary Judgment, is a true and correct copy of my
2 report, and represents my professional opinions regarding my review of the shared
3 administrative and office expenses between Reno Flying Service, Inc., and American
4 Medflight, Inc.

5 3. I declare under penalty of perjury that the foregoing is true and correct to
6 the best of my knowledge.

7 DATED:: July 6, 2010


8 
9 _____
10 DAVID B. THOMAS, MBA

EXHIBIT 3

EXHIBIT 3

**UNANIMOUS WRITTEN CONSENT OF THE BOARD OF DIRECTORS
OF
AMERICAN MEDFLIGHT, INC., a Nevada corporation**

The undersigned, being the directors of American Medflight, Inc., a Nevada corporation (the "Corporation") hereby consent pursuant to NRS 78.315 to the following as the due and proper actions by the Board of Directors of the Corporation.

Award of Bonus to President of the Corporation.

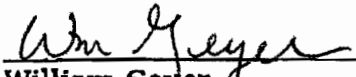
The Corporation is aware of the dilligent and skillful efforts of Jack A. Dawson, President of the Corporation, and are aware that the Corporation has had a profitable 2005.

In appreciation of Mr. Dawson's efforts for the year, the Board of Directors hereby directs the officers and employees of the Corporation to pay a year-end bonus to Mr. Dawson in the sum of \$30,000.

Jack A. Dawson, by signing the signature line below, hereby declines to participate in this Board of Directors decision.

Dated: December 20, 2005.


Richard L. Milsner


William Geyer

Dated: December 20, 2005

I hereby decline to participate in the decision concerning the subject matter set forth in this resolution and abstain from voting on the matter.

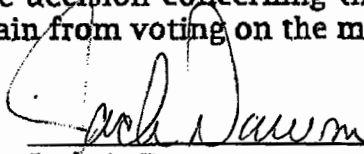

Jack A. Dawson

EXHIBIT 4

EXHIBIT 4

1 KING & RUSSO, LTD
PATRICK O. KING, ESQ., BAR NO. 5034
2 J. SCOTT RUSSO, ESQ., BAR NO. 6477
1677 Lucerne Street, Suite B
3 Minden, NV 89423

4 Telephone No. (775) 783-7500
Facsimile No. (775) 783-7600
5

6 Attorneys for Plaintiff John Carstarphen
7

8 **UNITED STATES DISTRICT COURT**
9 **FOR THE DISTRICT OF NEVADA - RENO**
10

11 John Carstarphen, an individual

12 Plaintiff,

13 vs.

14 Richard Milsner, an individual and DOES 1
15 through 10, inclusive.

16 Defendants.
17

Case No.: 3:07-cv-00542-ECR-RAM

**PLAINTIFF JOHN
CARSTARPHEN'S RESPONSE TO
INTERROGATORIES (SET NO. 3)**

18
19 PROPOUNDING PARTY: RICHARD MILSNER

20 RESPONDING PARTY: JOHN CARSTARPHEN

21 Plaintiff John Carstarphen ("Responding Party" and/or "Carstarphen") hereby
22 responds to Interrogatories (Set No. 3) propounded by Defendant Richard Milsner
23 ("Propounding Party" and/or "Milsner") as follows:

24 **GENERAL OBJECTIONS AND QUALIFICATIONS**

25 Responding Party interposes the following General Objections and Qualifications
26 to each of the Interrogatories. These objections are made to each and every individual
27 Interrogatory and are incorporated by reference into each of the specific responses which
28 are set forth below.

1 The responses by Responding Party to the Interrogatories should not be construed
2 as an admission that such information and/or documentation is relevant to the subject
3 matter of this litigation or is admissible evidence.

4 Responding Party's lack of objection to the Interrogatories, or any individual
5 Interrogatory contained therein, is not to be deemed an admission that the Interrogatory is
6 not otherwise seeking privileged information and/or documentation or objectionable on
7 some other grounds.

8 All of the responses contained herein are based only upon the information and
9 documents which are presently available to and specifically known to Responding Party,
10 and discloses only those contentions which are presently asserted by Responding Party
11 upon the facts known.

12 It is anticipated that further discovery, independent investigation, legal research
13 and analysis will supply additional facts, add meaning to the known facts, as well as
14 establish entirely new factual conclusions and legal contentions, all of which may lead to
15 substantial additions to, changes in and variations from the contentions herein set forth.

16 The following responses are given without prejudice to Responding Party's right to
17 produce evidence of any subsequently discovered facts which Responding Party may
18 later recall. Responding Party accordingly reserves the right to change any and all
19 responses herein as additional facts are ascertained, analyses are made, legal research is
20 completed and contentions are made. The responses contained herein are made in a good
21 faith effort to supply as much factual information and as much specification of legal
22 contentions as is presently known, which should in no way be to the prejudice of
23 Responding Party in relation to further discovery, research or analysis.

24 Responding Party has made a diligent search and reasonable inquiry in an effort
25 to respond to each of the Interrogatories as Responding Party understands and interprets
26 each Interrogatory. If Propounding Party subsequently asserts an interpretation of the
27 Interrogatories which differs from that of Responding Party, Responding Party reserves
28 the right to supplement his objections or responses, or both.

1 RESPONSE TO INTERROGATORIES

2 INTERROGATORY NO.8:

3 State what you mean by the phrases "...Milsner's sale to the AMF ESOP would
4 have [an] adverse effect on the fair market value of AMF" and "...the AMF ESOP
5 liability to Milsner would devalue AMF..." State all factual and legal bases on which you
6 contend that AMF was, in fact, devalued or harmed by any transaction referenced in your
7 pleadings. State all amounts of all devaluations or harm that you contend proximately
8 resulted to AMF or your interests in AMF from any act or omission to act by Milsner,
9 showing all calculations and all assumptions. Identify each and every appraisal or
10 valuation of any kind for AMF or your interests therein upon which you rely.

11 RESPONSE TO INTERROGATORY NO. 8

12 The stock sale by Milsner to the AMF ESOP, because the ESOP did not have the
13 money to pay for the stock, required AMF to guarantee payment to the ESOP for the
14 same amount of the note from the ESOP to Milsner for the stock. Prior to the stock sale,
15 and at the time Carstarphen chose not to sell himself because Milsner said that a
16 condition to doing so for Carstarphen was that he must dismiss his state court lawsuit, the
17 value of AMF at the beginning of December 2005 was purportedly as set forth in the
18 Menke & Associates valuation. After the close of 2005, Menke & Associates provided a
19 new year end valuation which showed the value of AMF to be less by the same sum as
20 the amount of the note from the ESOP to Milsner. Carstarphen called Menke &
21 Associates to ask why the value of the company had dropped seemingly "overnight", and
22 was told that AMF's guarantee of the note was a liability to AMF and therefore decreased
23 the value of AMF by the sum of the note.

24 The appraisals upon which Carstarphen relies for the impact of the Milsner stock
25 sale are the appraisals prepared at the beginning of December 2005, before the stock sale,
26 and the 2005 year end appraisal. Both were prepared by Menke.& Associates.

27 The current amount of the devaluation of AMF as a result of Milsner's sale is not
28 known by Carstarphen because he does not know the unpaid balance of the note at this

1 time. However, Milsner and Jack Dawson, the ESOP trustees, should know the precise
2 figure. Carstarphen's damages are $1/3^{\text{rd}}$ of the devaluation.

3 In addition, Milsner's self dealing by requiring AMF to charter aircraft from RFS,
4 pay RFS for aircraft maintenance and repairs, and pay "consulting fees" to AMF, when
5 AMF was capable of adding aircraft and maintaining/repairing the aircraft with its own
6 employees, devalued AMF. The devaluation is because Milsner increased AMF's
7 expenses and decreased AMF's revenue and profits so that he would profit from RFS.
8 The difference between what Milsner forced AMF to pay RFS and what AMF would
9 have paid its own employees and would have paid to purchase and operate the necessary
10 airplanes (in lieu of chartering) is the damage. Carstarphen is a $1/3^{\text{rd}}$ owner of AMF and
11 therefore his damage is $1/3^{\text{rd}}$ of the additional profit that AMF would have realized but
12 for Milsner's self dealing.. Once the underlying basis for each check from AMF to RFS
13 is determined, Carstarphen can more precisely estimate the impact and the damages to
14 Carstarphen.

15 INTERROGATORY NO.9:

16 If you contend that Milsner failed to disclose any data to you that he received from
17 Menke & Associates that was in any way associated with any transaction referred to in
18 your pleadings, identify each transaction to which you refer, identify all data to which
19 you refer, state when you contend that Milsner received it, and identify all documents that
20 memorialize the data to which you refer and Milsner's receipt thereof.

21 RESPONSE TO INTERROGATORY NO. 9:

22 Carstarphen is not aware of any data that Milsner received from Menke &
23 Associates and did not disclose.

24 INTERROGATORY NO.10:

25 If you contend that Milsner failed to disclose any data to you in connection with
26 any transaction referenced in your pleadings, identify each transaction, state precisely
27 what you contend Milsner failed to disclose, state the relevancy of whatever it may be
28

1 that you contend Milsner did not disclose, and identify all documents showing the data
2 and transactions referred to.

3 RESPONSE TO INTERROGATORY NO. 10:

4 Carstarphen is not aware of any "data" that Milsner had and did not disclose.
5 Milsner did not disclose to Carstarphen that if Carstarphen did not sell his stock in
6 December 2005, the stock would be worth much less due to the note from the ESOP to
7 Milsner, but Carstarphen does not know that Milsner had "data" on this issue. Milsner did
8 not disclose the fact that Castarphen did not have to dismiss his lawsuit as a condition of
9 selling his stock to the ESOP. Milsner did not disclose "data" on his self dealing by
10 having AMF pay RFS millions of dollars for services and "consulting fees", and has
11 never disclosed to Carstarphen that he has been writing hundreds of thousands in checks
12 to pay himself from the AMF checking account. However, as Castarphen understands
13 this interrogatory, it is seeking data with respect to the stock sale, and in that context
14 Carstarphen is not aware of "data" that Milsner had and did not provide.

15 INTERROGATORY NO.11:

16 State on what basis you contend Milsner knew or should have known of the data
17 referred to in the preceding interrogatory. State how you contend Milsner came into
18 possession of that data, and all bases on which you contend that Milsner had but failed to
19 provide you with that data.

20 RESPONSE TO INTERROGATORY NO. 11:

21 Carstarphen understands the "data" in this interrogatory to be in the context of the
22 stock sale in December 2005. Carstarphen is not aware of data Milsner had and failed to
23 provide.

24 INTERROGATORY NO. 12:

25 In response to Interrogatory No.2, you state that you "...had no knowledge the
26 AMF ESOP executing a note to (sic) would cause liability by AMF. Carstarphen
27 did not know that Milsner's sale to t he AMF ESOP would have any adverse effect
28 on the fair market value of AMF." If you contend that Milsner was, in any way, or to

1 any extent, responsible for any lack of understanding on your part, state each act or
2 omission to act by Milsner that you contend contributed to your lack of understanding. If
3 you contend that Milsner knew, or should have known, of your lack of understanding,
4 state how that knowledge did or should have come to Milsner. State all legal and factual
5 bases on which you contend Milsner had any duty to you as to each act or omission to act
6 identified.

7 RESPONSE TO INTERROGATORY NO. 12:

8 Carstarphen does not contend that Milsner is responsible for Carstarphen's lack of
9 understanding. Carstarphen does contend that Milsner should have known that he could
10 not condition Carstarphen's sale to the ESOP on the dismissal of the State Court lawsuit.

11 INTERROGATORY NO.13:

12 As to any transaction referenced in your First Amended Complaint, do you
13 contend that Milsner owed you a duty to explain any fact or law pertaining to such
14 transaction to you and that Milsner failed to do so adequately? If so, state each
15 transaction to which you refer, state what Milsner failed to adequately explain, and state
16 the source of each duty to which you refer. Identify all documents memorializing each
17 fact stated in response to this interrogatory.

18 RESPONSE TO INTERROGATORY NO. 13:

19 There are over 2,000 transactions involving Milsner's self dealing since January
20 2005. Carstarphen contends that every transaction whereby AMF paid RFS violated the
21 Bylaws of AMF, which required that prior consent from Carstarphen first be obtained, as
22 well as his signature on all checks from AMF to Milsner's entities, including RFS. These
23 were checks and balances put in place to prevent the very self dealing that Milsner
24 engaged in. However, Carstarphen does not contend that Milsner owed a duty to explain
25 any fact or law. Rather, he had a duty to not engage in self dealing. Since one of the
26 transactions at issue is the stock sale by Milsner to the AMF ESOP, Carstarphen does not
27 contend that Milsner had a duty to explain facts or law to Carstarphen, but he did have a
28

1 duty to not exclude Carstarphen from the stock sale by placing a condition on his
2 participation that violated the law.

3 INTERROGATORY NO. 14:

4 If you contend that Richard Milsner breached any fiduciary duties to you,
5 including but not limited to any claimed duty of loyalty, due care or good faith, state each
6 duty to which you refer and the source or bases for each duty. State each act or omission
7 to act that you contend violated any duty identified. Identify all actors, the substance of
8 each act, the date and place of each act, and all harm that resulted from each breach of
9 each duty identified. Identify each document or other thing that memorializes any fact
10 stated in response to this interrogatory.

1 RESPONSE TO INTERROGATORY NO. 14:

2 There are over 2,000 transactions involving Milsner's self dealing since January
3 2005. Every act of self dealing was a breach of fiduciary duty owed to Carstarphen as a
4 1/3rd shareholder. Carstarphen contends that every transaction whereby AMF paid RFS
5 violated the Bylaws of AMF, which required that prior consent from Carstarphen first be
6 obtained, as well as his signature on all checks from AMF to Milsner's entities, including
7 RFS. These were checks and balances put in place to prevent the very self dealing that
8 Milsner engaged in. Carstarphen is still reviewing the back up to the transactions, and
9 can be more specific when those transactions are all reviewed. The harm to Carstarphen
10 has been the loss of profit distribution and the devaluing of his stock .

11 DATED: October 20, 2009

KING & RUSSO, LTD.

12
13 By: Patrick O. King
14 Patrick O. King
15 Attorneys for Plaintiff
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VERIFICATION

STATE OF NEVADA)
 : ss.
CARSON CITY)

I, JOHN CARSTARPHEN, do hereby swear under penalty of perjury the assertions of this Verification are true.

I am the Plaintiff named in the above and foregoing action. I have read the Interrogatories and responses to same and know the contents thereof; and that the same is true of my own knowledge, except as to those matters therein stated upon information and belief, and as to those matters he believes them to be true.

DATED this 30th day of September 2009

John Carstarphen
JOHN CARSTARPHEN

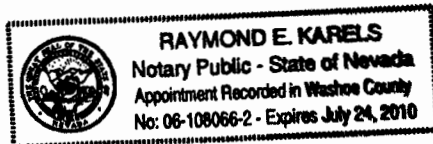
SIGNED AND SWORN TO before me on

Oct 2, 2009,

by John Carstarphen

NOTARY PUBLIC

Raymond E. Karels



CERTIFICATE OF SERVICE

Pursuant to NRCP 5(b), I hereby certify that I am an employee of KING & RUSSO, LTD., and that on this date of October 21, 2009, I served or caused to be served, a true and correct copy of the RESPONSES TO INTERROGATORIES (SET NO. 3), as follows:

☒ X

By **U.S. POSTAL SERVICE**: I deposited for mailing in the United States Mail, with postage prepaid, an envelope containing the above-identified document, at Minden, Nevada, in the ordinary course of business, addressed as follows:

Richard G. Hill, Esq.
Casey D. Baker, Esq.
Richard G. Hill, Chartered
652 Forest Street
Reno, NV 89509
(775) 348-0888

☐

By **HAND DELIVERY**, via:

☐

Reno-Carson Messenger Service

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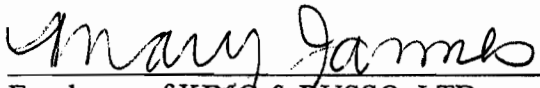
Interoffice-type messenger

☐

other type of delivery service: _____

by placing a true and correct copy of the above-identified document in an envelope addressed as follows:

DATED this 21st day of October 2009


Employee of KING & RUSSO, LTD.